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Agenda

Dorset County Council

Meeting:	Pension Fund Committee
Time:	10.00 am
Date:	13 September 2017
Venue:	Committee Room 2, County Hall, Colliton Park, Dorchester, Dorset, DT1 1XJ

John Beesley (Chairman)	Bournemouth Borough Council
Andy Canning	Dorset County Council
Tony Ferrari	Dorset County Council
Spencer Flower	Dorset County Council
May Haines	Borough of Poole
Colin Jamieson	Dorset County Council
John Lofts	Dorset District Councils
Johnny Stephens	Scheme Member Representative
Peter Wharf (Vice-Chairman)	Dorset County Council

Notes:

- The reports with this agenda are available at 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 8 September 2017, and statements by midday the day before the meeting.

Debbie Ward
Chief Executive

Contact: Liz Eaton, Democratic Services Officer
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Date of Publication:
Tuesday, 5 September 2017

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 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 21 June 2017.

4. **Public Participation**

(a) Public Speaking

(b) Petitions

5. **Pension Fund Administration** 11 - 54

To consider a report by the Fund Administrator.

6. **The Brunel Pensions Partnership - Project Progress Report** 55 - 58

To consider a report by the Fund Administrator on progress to date on the Brunel Pensions Partnership.

7. **Fund Administrator's Report** 59 - 86

To consider the report of the Chief Financial Officer. This includes Strategic Fund Allocation for the period ending 31 March 2017, cash flow and performance analysis and other topical issues. As part of this item the Committee will receive the report from the Independent Adviser on investment outlook and asset allocation (Appendix 1 refers).

8. **Report to those charged with Governance (ISA 260) 2016-17** 87 - 102

To consider the final report on the Pension Fund accounts from KPMG, the administrating authority's external auditor.

9. **Pension Fund Annual Report** 103 - 244

To receive the Pension Fund Annual Report 2016-17.

10. **Voting Activity** 245 - 252

To receive a report on the Fund's voting activity 2016-17.

11. **Other Manager Reports** 253 - 332

To receive the following reports:

(a) UK Equity Report
(b) Global Equities
(c) Royal London Asset Management – Corporate Bonds
(d) CBRE Global Investors – Property
(e) Insight Investment – Liability Hedging

12. **Dates of Future Meetings**

To confirm the dates for the meeting of the Committee in 2016:-

22/23 November 2017	London (AXA – to be confirmed)
28 February 2018	County Hall, Dorchester
20 June 2018	County Hall, Dorchester
12 September 2018	County Hall, Dorchester
21/22 November 2018	London (to be confirmed)

13. **Questions**

To answer any questions received in writing by the Chief Executive by not later than 10.00 am on 8 September 2017.

Exempt Business

To consider passing the following resolution:

To agree that in accordance with Section 100 A (4) of the Local Government Act 1972 to exclude the public from the meeting in relation to the business specified below, it is likely that if members of the public were present, there would be disclosure to them of exempt information as defined in the paragraphs detailed below of Part 1 of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing the information to the public.

14. **Strategic Asset Allocation Review (Paragraph 3)** 333 - 344

To consider an exempt report by the Pension Fund Administrator – **NOT FOR PUBLICATION**

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Pension Fund Committee

Minutes of the meeting held at County Hall, Colliton Park, Dorchester, Dorset, DT1 1XJ on Wednesday, 21 June 2017

Present:
John Beesley (Chairman)
Andy Canning, Tony Ferrari, Spencer Flower, Peter Wharf, John Lofts and Johnny Stephens.

Officer Attendance: Richard Bates (Chief Financial Officer), David Wilkes (Finance Manager) and Tom Wilkinson (Children's Services and Interim Chief Pensions and Investments Manager).

Manager and Advisor Attendance
Alan Saunders (Independent Advisor), SteveTurner and Nick Self (Mercer).

(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 **Wednesday, 13 September 2017**.)

Election of Chairman
23 That John Beesley be elected Chairman for the year 2017/18.

Appointment of Vice-Chairman
24 That Peter Wharf be appointed Vice-Chairman for the year 2017/18.

Apologies for Absence
25 Apologies for absence were received from Colin Jamieson (Dorset County Council and May Haines (Borough of Poole).

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

Terms of Reference
27 The Terms of Reference for the Committee were received by members.

Statement by the Chairman
28 The Chairman welcomed the new members to the Committee and asked for letters of thanks be written to all former members who had recently stood down from the Committee - Mike Byatt, Ronald Coatsworth, Trevor Jones and Mike Lovell.

The Chairman reported that the Interim Chief Treasury and Pensions Manager would be leaving Dorset County Council on 30 June 2017 to take up a post with Tameside Council and that this was, therefore, his final meeting. The Chairman thanked the Interim Chief Treasury and Pensions Manager for his advice and guidance, and his contribution to the Dorset County Pension Fund.

Minutes
29 The minutes of the meeting held on 1 March 2017 were confirmed and signed.

Matters Arising

30 Minute 14 Review of 2016 Fund Valuation Process

The Interim Chief Treasury and Pensions Manager reported that the Fund's actuary, Barnett Waddingham, would produce a plan for the 2019 valuation and this would be on the agenda for the meeting of the Committee on 13 September 2017.

Minute 19 Manager Reports

The Interim Chief Treasury and Pensions Manager reported that officers and the Independent Adviser had met with Nigel Thomas, the AXA Framlington Fund's manager, on 18 May 2017, and that the Chairman had also met separately with Mr Thomas on 20 June 2017, where reassurances on the robustness of AXA's approach over the long term had been received. AXA had also offered to host the Committee's November 2017 meeting and training sessions in London, which would give all members the opportunity to hear from and ask questions to the fund manager directly.

Public Participation

31 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.

The Brunel Pensions Partnership - project progress report

32 The Committee considered a report by the Fund Administrator on the progress to date in implementing the Full Business Case (FBC) for the Brunel Pension Partnership (BPP), as approved by the Committee at its meeting on 9 January 2017. He informed members that Dorset County Council, as administering authority, had approved the processes to establish the company and implement the new governance arrangements.

The Fund Administrator believed this was the largest ever change to the management arrangements of the Fund, and a huge amount of work had been completed to date and was still needed to implement the changes successfully. He informed members that there were monthly meetings of the Shadow Oversight Board (SOB), attended by representatives of all ten pension fund committees or equivalent and chaired by the Dorset Fund Chairman, regular meetings of the chief financial and legal officers for each fund, the Finance and Legal Assurance Group (FLAG), and the investment officers of each fund, the Client Operating Group (COG) were held.

The Fund Administrator informed members that Denise La Gal had been appointed as chair of Brunel Pension Partnership Ltd. The Chairman told members that the three Non-Executive Directors (NEDs) had also been appointed – Steve Tyson (the shareholder representative NED), Mike Clark and Frederique Pierre-Pierre. The Fund Administrator confirmed that the recruitment process for the executive posts had begun, and that Dawn Turner, Environment Agency, had been appointed Interim Managing Director. He added that there had been significant discussions at SOB and FLAG on reward packages, with salaries capped and no bonuses for executives.

Members were informed members that officers were close to finalising the evaluation of the responses to the Invitation to Tender (ITT) to appoint an administrator and custodian for BPP Ltd and the underlying funds.

It was noted that from July 2017 the Shadow Oversight Board (SOB) would become the Oversight Board (OB). The Chairman was mindful not to overburden members with too much detail on project progress but asked that members continued to raise any queries or concerns with him, as the Fund's representative. He added that SOB had provided a high level of scrutiny and challenge on all matters, particularly future governance arrangements and cost control. He felt that the funds had worked well together, with decisions reached so far by consensus not majority, including some very difficult issues. He also highlighted the comprehensive legal and financial advice and support provided to the project by Osborne Clarke and PwC respectively.

A member asked about the management of transition costs. The Chairman replied that to date there had been set-up and development costs, but as yet no transition costs. Once officers had been recruited to BPP Ltd detailed plans for transition would be developed and implemented, with cost control a major factor. The Fund Administrator noted that transition costs would also be an important consideration in implementing any changes to the strategic allocation in advance of BPP.

The Vice-Chairman said that it would be useful to receive a regular, short and specific report, highlighting key risks and measuring performance against Key Performance Indicators (KPIs). The Chairman asked that officers request a forward plan be produced by BPP Ltd, and a member asked if the Committee could be informed of any significant developments between meetings. The Fund Administrator agreed with these requests and explained that the Services Agreement between each fund and BPP Ltd included the requirement for KPIs to be agreed and monitored, and it was expected these would be agreed later in the year.

Noted

Application for Admission Body Status in the Local Government Pension Scheme (LGPS) from the Jurassic Coast Trust (JCT)

33 The Committee received a report by the Pension Fund Administrator that requested the approval of an application for admission body status from the Jurassic Coast Trust (JCT). The Interim Chief Treasury and Pensions Manager explained that JCT had been 'spun out' of Dorset County Council (DCC) in order to gain access to funding sources not available directly to local authorities. Four scheme members would transfer fully funded to the new organisation under TUPE regulations, with the deficit remaining with DCC, who would also act as guarantor for future liabilities.

The Vice-Chairman asked if there could be any unforeseen consequences for the protection to the Fund provided by this guarantee should DCC cease to exist under Local Government Reorganisation (LGR). The Fund Administrator replied that this was part of a wider issue for LGR, but the expectation would be that any guarantees from DCC or other employers ceasing to exist would novate to the new organisations, as would be the case with other existing contracts.

Resolved

That Dorset County Council enters into an admission agreement with the Jurassic Coast Trust who will become an Admitted Body employer within the Local Government Pension Scheme (LGPS).

Fund Administrator's Report

34 The Committee considered a report by the Pension Fund Administrator on the allocation of assets and overall performance of the Fund up to 31 March 2017.

The Independent Adviser presented his report at Appendix 1 and provided a commentary on the investment outlook, and how it was likely to affect each asset class. He noted that although his report was written before the results of the UK general election were known not much had changed since in markets, despite greater political uncertainty.

The Independent Adviser reported that signs of a wider global recovery now looked more positive, with signs of sustainable growth across Europe, not just Germany, and recovery in Emerging Markets. However, Japan's economy was still 'stuttering', and China's transition to a consumer led economy remained a significant risk. UK growth was expected to be approximately 1.5% for the next two years.

Equity markets had a very good year, even allowing for currency movements, and volatility had dampened down. However, in the US there were now doubts about the deliverability of some of the President's plans, and the fiscal boost previously anticipated by markets looked less likely. He believed that the key risk was that the US Federal Reserve increased interest rates more quickly than markets expected, which could stop growth and lead to a sell-off of assets.

The Independent Adviser reported that property was the market most negatively affected by the result of the EU membership referendum but values had now largely recovered. He informed members that expectations were for gilt yields to rise, given their continuing very low levels, but as yet this had not happened.

It was felt that there was still a high level of uncertainty about the outcome of the Brexit process. A member asked the Independent Adviser about the reaction of markets to these political uncertainties. The Independent Adviser replied that, whilst the City's preference would be for the UK to remain in the single European market, as that now seemed unlikely, the second best outcome would be continued access to the market, with a long transition period before any new arrangements were implemented. He added that generally tariffs on manufactured goods were not now particularly high but the concern was that there could be restrictions on access for UK services to the European market. He also highlighted that trade agreements could take considerable time to negotiate.

A member raised his concerns that he felt current equity prices were not supported by fundamentals, and he highlighted that it had been a long time since the last significant market correction. The Independent Adviser replied that, although most of the gains in the FTSE 100 over the last year had been driven by sterling's depreciation, the member's concerns could be warranted to some extent in UK and US markets, but less so in other markets, such as Europe and Emerging Markets, where valuations were supported by signs of sustainable economic growth.

The Fund Administrator highlighted the very strong absolute performance of the Fund's assets over the financial year to 31 March 2017, primarily as a result of the impact of sterling's depreciation on equity prices and the increase in the value of inflation hedging instruments. Members were reminded that the value of the Fund's liabilities would also have increased over this same period because of the same higher inflationary expectations. He also informed members that the draft Fund accounts had been approved for publication on 15 May 2017, earlier than ever before, and that they were now subject to review by KPMG, the external auditors.

Resolved
(i) That the activity and overall performance of the Fund be noted.
(ii) That no changes to asset allocation be made at this time.
(iii) That the publication of the draft Pension Fund accounts be noted.
(iv) That the Funding Strategy Statement (FSS) March 2017 be approved as a basis for consultation with the Fund's employers.

Other Manager reports

35 (a) UK Equity Report

The Committee considered a report by the Finance Manager (Treasury and Pensions) which summarised the performance of the internally managed UK equities passive portfolio, the AXA Framlington Fund and the Schroders Small Cap Fund.

The Finance Manager (Treasury and Pensions) highlighted that the return from the internally managed passive portfolio was inside the agreed tolerance of +/- 0.5% for the quarter, and for the 12 months, 3 years and 5 years ending 31 March 2017.

The performance of AXA was also highlighted, as the recovery from the poor absolute and relative performance for the quarter ending 30 June 2016 had been minimal in the financial year to 31 March 2017. Further to the discussions earlier in the meeting under matters arising, the Finance Manager (Treasury and Pensions) added that AXA's bias towards mid-cap stocks should complement the internally managed portfolio's inherent bias towards the largest companies in the FTSE 100.

Noted

(b) Global Equities Report

The Committee considered a report by the Finance Manager (Treasury and Pensions) which summarised the performance of the three Global Equities managers Allianz, Investec and Wellington. He highlighted that all three managers had produced very high absolute returns but Allianz and Investec were still below their benchmark for the 12 months to 31 March 2017. The Independent Adviser noted that the more traditional approach of Wellington appeared to have performed better to date than the factor based approaches of Allianz and Investec.

Noted

(c) Royal London Asset Management (rlam)

The Committee considered a report from Royal London Asset Management (rlam) on the Corporate Bond portfolio. The Finance Manager (Treasury and Pensions) highlighted the good absolute and relative performance over the quarter, one, three and five year periods, but said that relative performance since inception was still marginally negative, due to the banking crisis which occurred soon after inception.

Noted

(d) 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 that performance was slightly below benchmark for the quarter but above benchmark for one, three and five years to 31 March 2017. He highlighted the low vacancy rate of 2.5% which was considered a key driver of performance. He informed members that the development of Cambridge Science Park had 'broken ground' and that the purchase of Waterloo Plaza was imminent.

The Vice-Chairman raised a concern that the average lease length of the Fund's holdings were higher than the benchmark. The Interim Chief Treasury and Pensions Manager replied that CBRE actively looked to renegotiate leases as they approached maturity, but he highlighted that a key issue to be addressed was the high number of leases that expired in 2020.

Noted

(e) Insight Investment

The Committee considered a report from Insight Investment, who had the mandate for the liability matching strategy. The Interim Chief Treasury and Pensions Manager highlighted that the valuation (after additional investment) had increased by approximately 50% over the financial year but noted that liabilities would also have increased over that period.

Noted

Dates of Future Meetings

36 **Resolved**

That meetings be held on the following dates:

13 September 2017	County Hall, Dorchester
22/23 November 2017	London (to be confirmed0.

Questions

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

Exempt Business

Exclusion of the Public

Resolved

That under Section 100A(4) of the Local Government Act 1972, the public be excluded from the meeting for the business specified in minute 38 because it was likely that if members of the public were present there would be disclosure to them of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Act and the public interest in withholding the information outweighs the public interest in disclosing that information.

Strategic Asset Allocation Review (Paragraph 3)

38 Steve Turner and Nick Self, from investment consultant Mercer, presented their review of the Fund's strategic allocation to asset classes following the results of the 2016 actuarial valuation. The Independent Adviser and the Fund Administrator also gave their views on the proposed changes to the existing asset allocation and members asked a number of questions. The Independent Adviser and Fund Administrator agreed to produce a modified proposal based on the discussions which would be modelled by Mercer to assess the impact on risk and expected return. The Fund Administrator added that the implementation of any changes would need to take into consideration the Brunel Pension Partnership (BPP) and transition costs.

Resolved

That an additional meeting of the Committee be held to reach a final agreement on any changes to the strategic allocation.

Meeting Duration: 10.00 am - 1.10 pm

Pension Fund Committee

Dorset County Council

Date of Meeting	13 September 2017
Officer	Pension Fund Administrator
Subject of Report	**Pension Fund Administration**
Executive Summary	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: • Staff Changes • Altair Member Self-Serve • Overseas Existence Checks • Workflow and Key Performance Indicators • Regulatory Reform Update • Backlog update • 50/50 Option • Annual Benefit Illustrations 2017
Impact Assessment: *Please refer to the protocol for writing reports.*	Equalities Impact Assessment: N/A
	Use of Evidence: N/A
	Budget: N/A

	Risk Assessment: N/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	• Appendix 1 – Proposed New Management Structure • Appendix 2 – Altair Member Self-Serve • Appendix 3 - Western Union Existence Checks • Appendix 4 - Key Performance Indicators • Appendix 5 – Annual Benefit Illustration 2017 • Appendix 6 – Annual Newsletter 2017
Background Papers	• LGPS Regulations 2013 • Small Business, Enterprise and Employment Act 2015
Report Originator and Contact	Name: Karen Gibson Tel: 01305 228524 Email: k.p.gibson@dorsetcc.gov.uk

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. Staff Changes

2.1 The Pensions Benefits Manager has recently left after many years with the authority. The opportunity has subsequently arisen to review the management structure of the pension administration team.

2.2 The proposed new structure is attached as Appendix 1, and consultations are on-going with staff to review responsibilities and job descriptions. This small scale restructure is limited to the managers within the section, with the vast majority of staff seeing no changes to their existing roles.

3. Altair Member Self-Serve

3.1 Altair Member Self-Serve (MSS) is an internet and intranet based application which enables active scheme members, deferred beneficiaries, pensioners and dependants to access their own information online. A brief overview of the facility is shown in Appendix 2

MSS is highly configurable, enabling us to have the flexibility to tailor a range of options and facilities to members.

3.2 Scheme members will have instant access to a range of information and services which include;

- On-line benefit calculations
- View and update personal information and contact details, including
    - Address/Email
    - Nominated beneficiary for death grants
    - Bank details

- Check membership
- View uploaded documents
- Contact the pensions section securely
- Bulk email facility to registered users

3.3 Scheme members must complete an initial registration process before they can access the MSS website. This requires the Fund to issue a personal activation key to members and the setting up of an individual account with email address, password and security questions.

A roll out to active members by employer group will be completed over a period of up to five months in order to effectively manage this process.

3.4 After the initial registration the user's access to the website is subject to validation of their user name and password.

3.5 The initial Licencing Fee is £51,150, with an additional Annual Maintenance Fee of £17,050

3.6 Employers were informed of the development via a presentation at the last Pension Liaison Officers Group meeting in July. We hope to complete the roll out to all active members by 31st March 2018.

Pensioner members will be notified at retirement, with those already in receipt of a pension being informed in the annual pensioner newsletter in April 2018.

Deferred members will be notified on leaving and via a newsletter issued with the Annual Benefit Illustrations next year.

4. Overseas Existence Checks

4.1 We currently run mortality screening on our UK based pensioners, which is a reliable and successful method of early identification of deceased pensioners and a fraud prevention measure.

4.2 However, this service relies on UK death registration data only, and does not address the risk of fraud or overpayment for the approximate 443 members in receipt of a pension living abroad.

4.3 Pension payments to overseas bank accounts are paid via Western Union Business Solutions. This company offer a service to verify whether pension payments overseas are being sent to the correct entitled beneficiary.

A process, which involves notifying overseas pensioners that an existence check will be performed, and requiring the beneficiary to report to a Western Union office near to their home, is provided at a cost of £35.00 per member. The member must present valid ID for verification and will receive an incentive payment in local currency equivalent to £10.00.

If the member does not fulfil this requirement, the pension payments are suspended pending further investigation or until the required verification process is complete.

4.4 It is planned to commence this process before December this year utilising the complete service offered by Western Union. Their experience in regard to existence checks makes them ideal for this, and mitigates the current evident risk facing the fund in regard to pensions paid to pensioners living overseas.

Western Union will be working with pension payroll staff, and will provide at conclusion a Collection Report to the Fund. If successful, the process will be repeated annually.

4.5 A brief overview of the service provided by Western Union is attached at Appendix 3

5. Workflow and Key Performance Indicator's

5.1 Appendix 4 shows the top ten KPI's for the period February to July 2017.

5.2 Overall performance was recorded as 95.76% of tasks being completed within expected timescales. Whilst this is a slight downturn from the previously reported period, it remains at a constant high standard and I do not see any specific areas of concern. We continue to work towards as near perfect an outcome as possible.

6. Backlog

6.1 The backlog of Aggregation cases which is being managed as a separate project within the section has reduced by 438 cases in the period April to August 2017. A total of 797 cases remain.

6.2 We continue to work on cases each week, and whilst it feels a frustratingly slow picture, these are particularly time intensive and complex. Our software providers are working on a new facility to assist authorities with this challenging area but this too is proving a difficult task. Timeframes and costs of this new development is not as yet known. Amending regulations designed to lessen the complexity for this cases has been delayed by many months.

6.3 I am pleased with the progress made and am reassured that we are in a good position compared to most other authorities in regard to this area of work and am pleased that our software providers are making improvements that should lead to a reduction in the time required to complete cases.

7. Regulatory Reform Update

7.1 The general election and resultant minority government has led to a slowdown in planned regulatory reform. Brexit negotiations are an additional distraction and resource intensive.

7.2 The LGPC Secretariat understands that there is no intended policy change, but it is now unclear the extent to which pursuing each reform will be a priority for the Government. It is also unclear the implementation timescales the Government plan to adopt for each reform.

7.3 Exit payment recovery – draft regulations issued under the Small Business, Enterprise and Employment Act 2015 proposed that where an individual with a salary of £80,000 or more leaves public sector and returns within 12 months, they will be required to pay back some or all of the exit payments (including strain cost) received.

If and when issued the regulations will be overriding meaning that it will not be necessary to amend the LGPS regulations for exit payment recovery to have effect.

7.4 Exit Cap – On leaving public sector employment, the total exit payments that an employer can make in respect of that exit will be capped at £95k, this includes the pension strain costs.

Subject to the Government proceeding with its plans, it is expected that further consultations on how the cap will work in practice will be needed.

Once final Treasury regulations are laid they will enact the relevant parts of the Enterprise Act 2016 which will amend the LGPS regulations. Guidance is also expected on when the cap can be waived.

7.5 Exit payments further reform – proposals looking at the overall severance packages payable form public sector bodies are expected following a consultation. The formal response from HM Treasury in September 2016 set out the broad criteria within which they expect departments to reform the exit packages of their workforce.

Subject to the Government proceeding with its plans in this area we expect DCLG to publish a consolation on the proposed consolation for local government.

7.6 In addition to the Exit payment reform updates above, we have been expecting for a long time, changes to the LGPS regulations which include amendments to Local Government Fair Deal/TUPE transfers, Flexible access to AVCs, access to deferred benefits which ceased prior to 2014 from age 55 and changes to how aggregation cases in certain circumstances can be dealt with.

8. 50/50 Option

8.1 On 6 April the LGPC launched a survey placed on the LGPS member website regarding 50/50 section. This was set up on request of the SAB which, as part of the scheme cost management, is looking at the reasons why there is such a low take up.

8.2 Initial assumptions by those involved in the 2014 scheme design, was a 10% take up of the 50/50 option. The recent valuation shows take up to be much lower than this. In the Dorset Fund, take up is around 0.50% and this reflects the national trend.

8.3 It has also become clear that the 50/50 option is being utilised by high earners to reduce pension accrual and subsequent tax charges. Consideration is being given to whether this should be prevented. This was not the original intention for this facility which was aimed at those on a low income who would otherwise opt out of the scheme.

8.4 In Dorset we are ensuring that our Opt Out forms clearly mention the 50/50 section, and staff members are trained to inform members of this alternative option.

9. **Annual Benefit Illustrations 2017**

9.1 The Annual Benefit Illustrations (ABIs) for active and deferred members were dispatched this year within the regulatory timescale. A copy of the illustration for active members, and the annual newsletter that we enclosed with this, is attached as Appendix 5 and 6.

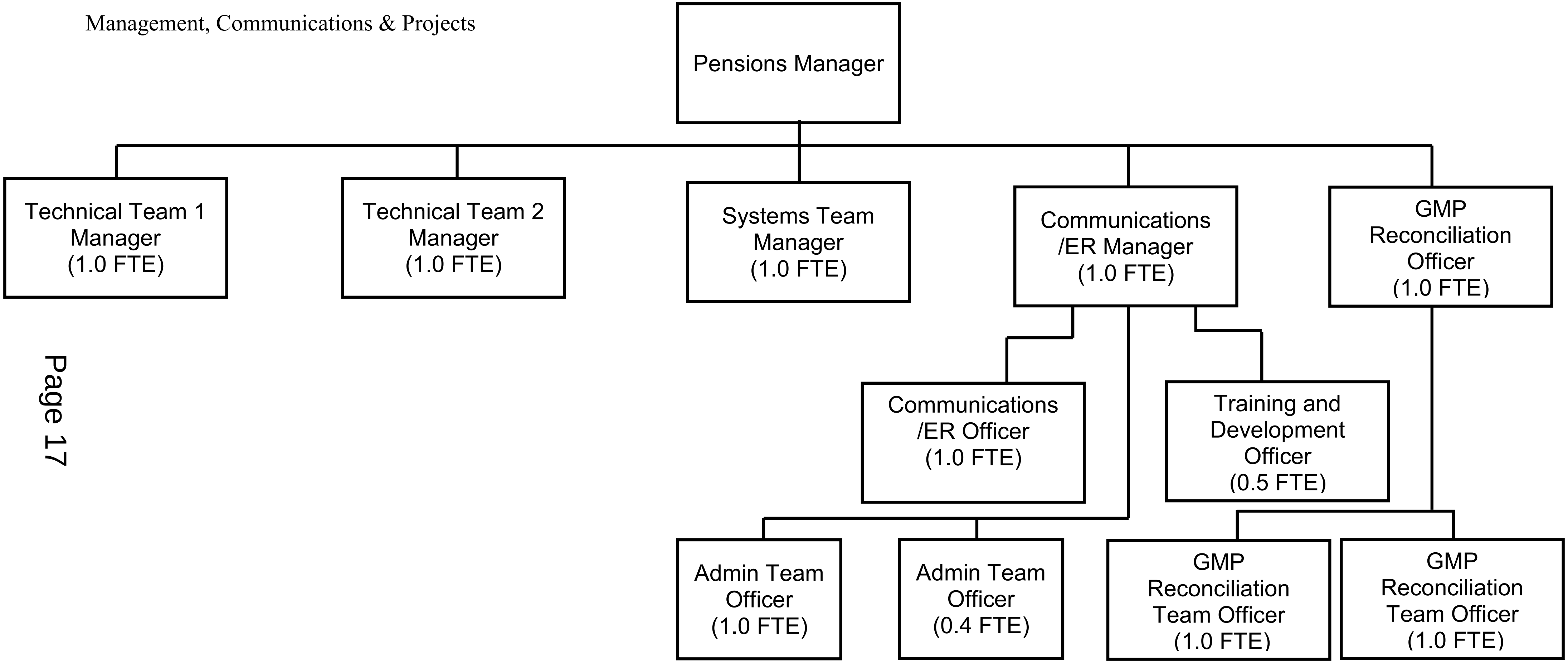
9.3 A total of 23,384 illustrations have been issued to active scheme members, and 18,430 to members with deferred scheme benefits.

9.2 The complete cost of producing and posting the illustration is £0.53 per illustration. The ABIs are well received by members and form the most important part of our member communications.

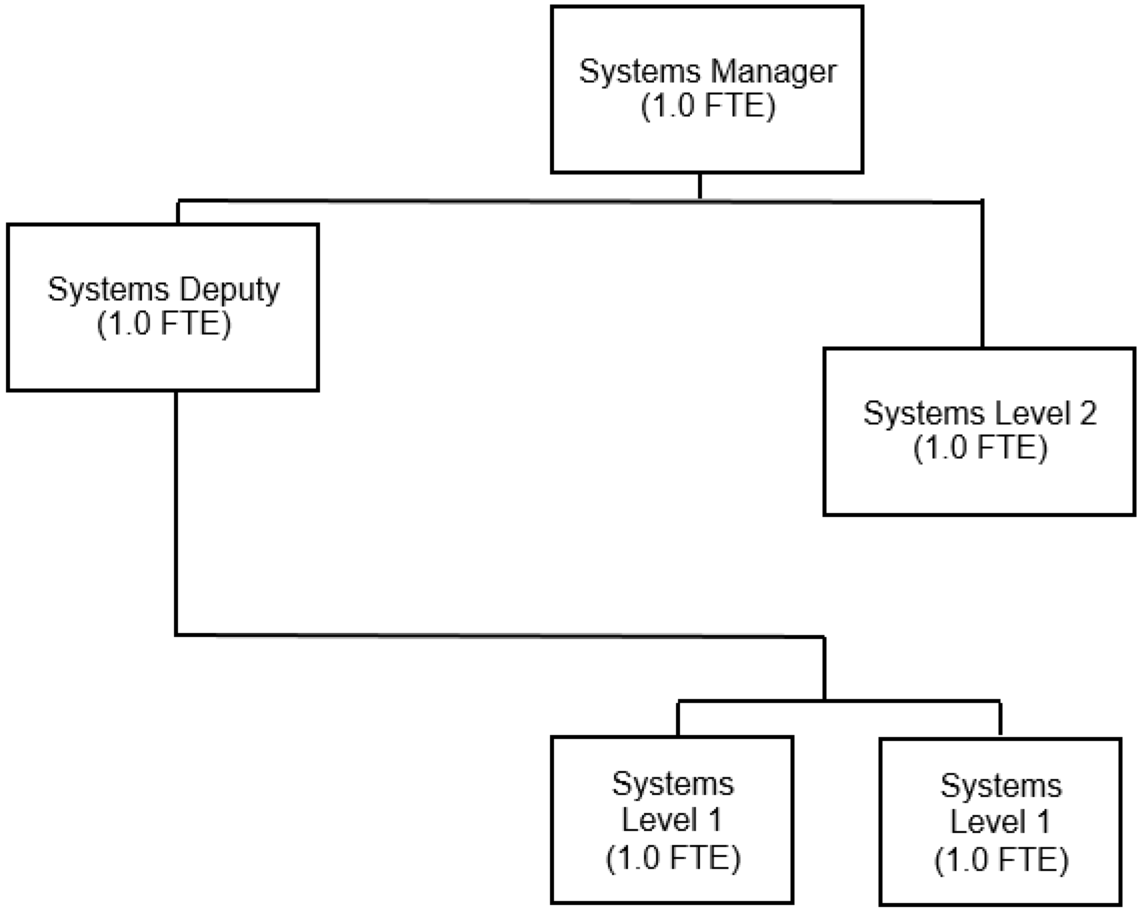
9.3 In future, consideration is being given to phase the paper version out and replace with electronic versions only.

Richard Bates
Pension Fund Administrator
September 2017

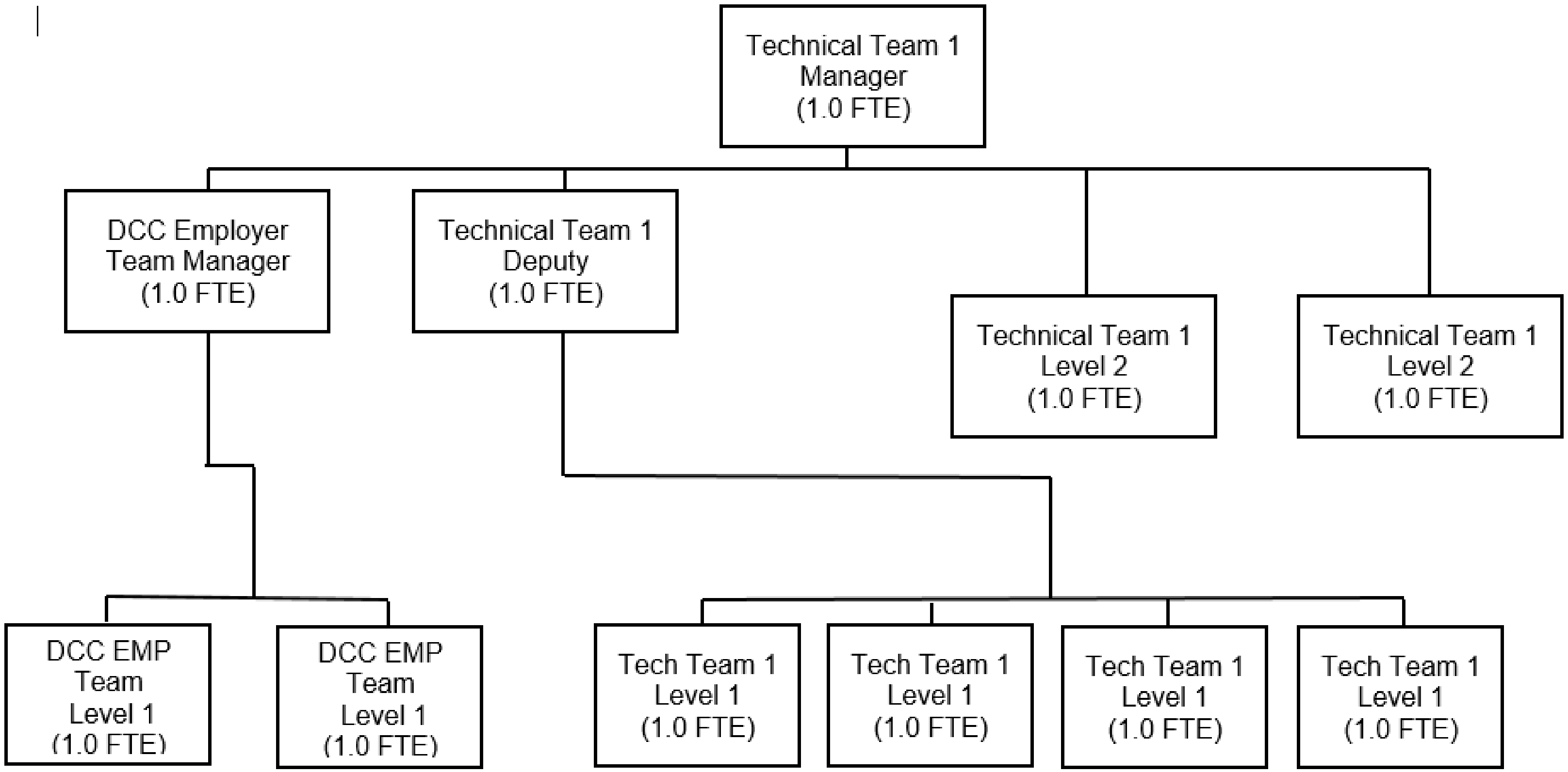
Management, Communications & Projects



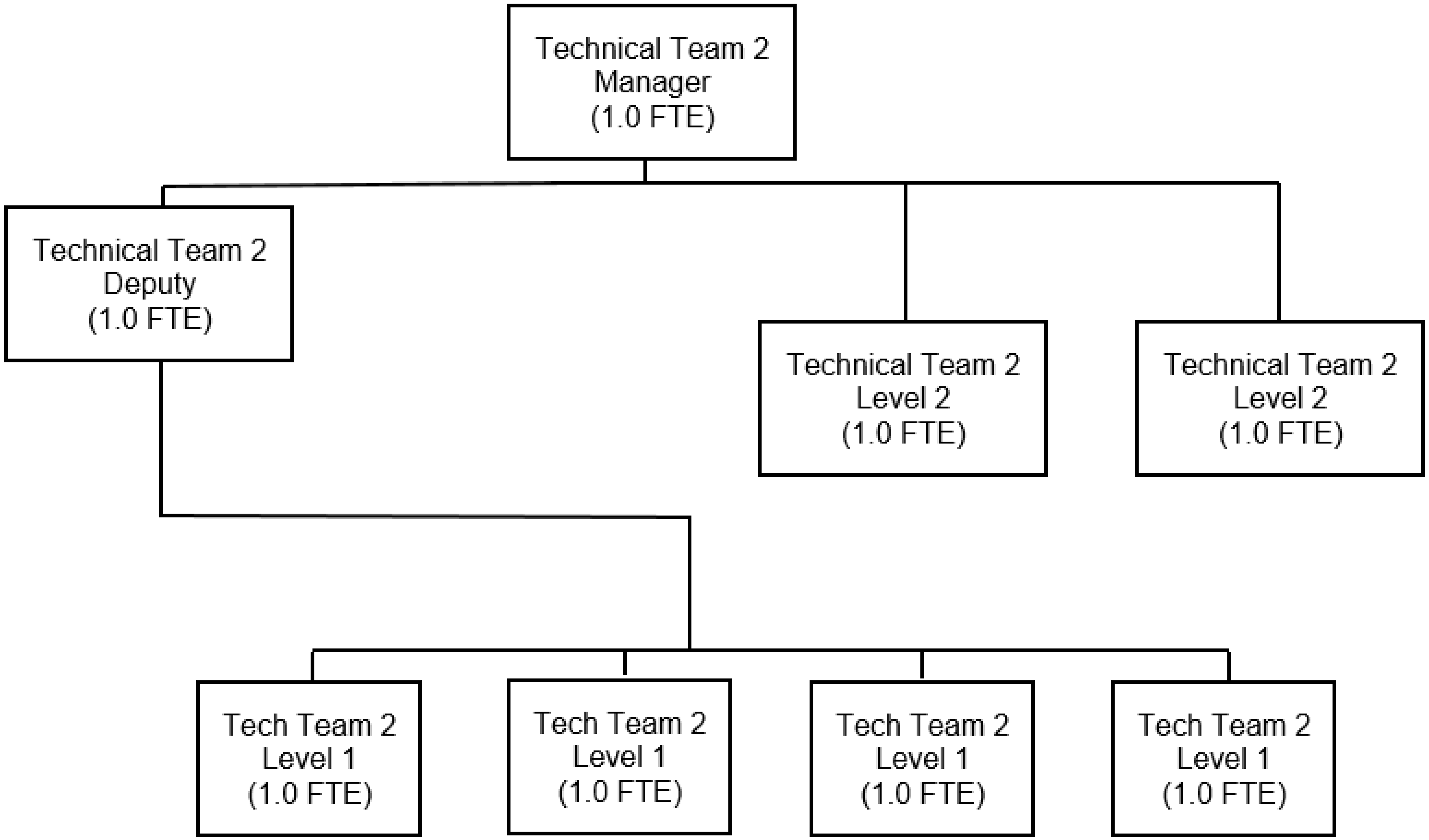
Systems Team



Technical Team 1



Technical Team 2



Aquila Heywood

Increasing Member Engagement

Case Study

Fujitsu increases member engagement through **new Self-Service portal**

Increasing Engagement
Key Figures

5%
increase in registered MSS members

38%
increase in members logging onto the MSS portal

66%
increase in tasks carried out by members

30%
increase in member engagement through the MSS Calculations tool

Increasing Engagement
The Challenge

Fujitsu had been using the first generation version of **Altair Member Self-Service (MSS)** for several years.

To ensure Fujitsu continued to provide its members with the digitalised services they expect and to increase its operational efficiencies, Fujitsu approached Aquila Heywood to upgrade its Member Self-Service offering.

Increasing Engagement
The Solution

Aquila Heywood upgraded Fujitsu’s Member Self-Service in two stages. The first stage involved setting up the technical framework within the newly designed MSS architecture. The second stage involved the migration of Fujitsu’s existing customised content from the previous version of **Altair MSS**.

The entire project was completed over a 3 month period, between May and Early August 2016.

“*Aquila Heywood understood our needs and was able to deliver new MSS to our timelines and budget.*”

Simon Wardrobe
Pension Systems Manager

Increasing Engagement
The Solution: new MSS

Altair Member Self-Service provides internet and intranet facilities to enable all employees, past, present and future, to access their individual information, update data, view documents and carry out "What if..." modelling. Additional benefits include:

- Online benefit calculations for members are developed and delivered alongside the calculation releases
- Online benefit statements that pull data straight from the Altair database with no administration intervention
- General scheme documentation can be uploaded for members to access along with Altair documents generated
- For Altair pensioner payroll customers, payslip and P60 information can be published to the pensioner members automatically
- Members can update personal details such as address, benefit nominations and bank details. The updates can write straight back to the Altair database, start a workflow or notify administrators via email

38%

increase in member logins through new Member Self-Service

"Aquila Heywood supported us every step of the way which ensured that configuring, installing and testing new MSS was easy and straightforward."

Simon Wardrobe
Pension Systems Manager

Increasing Engagement
The Outcome

Fujitsu are now able to offer its members a modern responsive website that fully supports and meets their expectations and requirements.

Since MSS went live in August, there has been a 5% increase in registered MSS members and a 38% increase in members logging onto the MSS portal. Fujitsu has also seen a 66% increase in tasks carried out by members through MSS and a 30% increase in member engagement through the MSS Calculations tool.

All members who were registered onto Fujitsu's old version of MSS were automatically able to use new MSS without any additional actions needed.

The increased content management tools allow Fujitsu to reduce the overhead costs on maintaining its website and increasing the ease of use. This has led to significant cost and time savings for Fujitsu.

30%

increase in member engagement through the Member Self-Service Calcs tool

"The new MSS has improved our relationship with our members providing a more tailored, responsive and straightforward engagement and communication channel."

Simon Wardrobe

Pension Systems Manager

Increasing Engagement
The Benefits

Additional benefits from implementing new MSS for Fujitsu include:

1. A customised website experience for members across multiple devices and increased Member Engagement with the company through website integration with Social Media

2. Increased Workflow through integration with the company's existing administration system (Altair)

3. Simple to use content management tools for quicker content deployment and greater flexibility in the enhanced 'look and feel' of the website allowing administrators to make changes to the website with no prior HTML knowledge

4. Robust industry standard security

5. A new hosting infrastructure

The success of this project has led to the implementation of a phase 2 element to enhance Fujitsu's MSS offering, which is due for completion in December 2016.

For more information contact us or visit our website

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HELPING TO PROTECT PENSION SCHEMES AND TARGET FRAUD

Introducing Western Union Global Existence Transaction℠

Recent figures released by the Department of Work and Pensions (DWP) indicate that Pensions Credit fraud cost the public purse £54m in 2012/13, highlighting the scale of potential savings for schemes.

The Global Existence Transaction Service includes a face to face interaction between the beneficiary and a representative at a Western Union® Agent location, during which the beneficiary will be asked to provide photographic ID. This unique service enables pension funds to help to verify the identity of international beneficiaries, reducing the risk of fraud and helping to eliminate costly overpayments to non-entitled beneficiaries.

- **Reduce risk of fraud** – Present photo ID at an Agent location.
- **Confirmation of beneficiary existence** – Gain confidence that your overseas pensioners are entitled to their payment.
- **Improve data accuracy** – Validate and update members' contact details to aid compliance with TPR and FCA guidelines.
- **Increase efficiency** – Reduce overpayments to non-entitled beneficiaries.
- **Unparalleled global reach** – More than 300,000 Western Union Agent locations enabled for this service.

Five Simple Steps

Step 1:
WU Business Solutions cleanses address data and identifies nearest WU Agent location.

Step 2:
Payment released to WU Agent network for collection.

Step 3:
Beneficiary receives instructions on how to collect funds and visits WU Agent.

Step 4:
Once the beneficiary has presented identification, the funds are released.

Step 5:
Potential overpayments identified, option for fund to suspend payments if necessary.

business.westernunion.co.uk
moving money for better

WU BUSINESS SOLUTIONS

Pension Fund	Data cleanse	Number of transactions per fund*	Number of immobility claims	Global Existence Transaction successfully completed	Not collected/suspended
Pensio Fund A	99.6	19	26	69%	5%
Pensio Fund B	99.8	45	14	81%	5%
Pensio Fund C	100	12	10	86%	4%
Pensio Fund D	100	13	10	86%	4%
Pensio Fund E	N/	57	21	49%	30%
Averag	**99.8**	**19**	**16**	74%	10%

*This was the number of transactions carried out per fund.

Contact us to set up your trial

Western Union Business Solutions

12 Appold Street, London EC2A 2AW

Tel: 0800 096 1229

Email: enquiriesuk@westernunion.com

moving money for better

business.westernunion.co.uk

" The new system has proved very effective in delivering a more robust and less time consuming existence check for our overseas pensioners".

Esmond Hamilton
Financial Controller
Lothian Pension Fund

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Dorset Council KPI Report - CMS stats

Performance 2016/17 - report for period : All Teams KPI's - FEB 17 - JULY 17

Number of complaints received	**3**

your pension our world

Top 10 detail - cases completed on time	Completed in period	Performance	KPI (days)	Cases completed on time or early
Admissions (DR01 & DR01W)	2873	99.97%	30	2872
Transfers In Quote (DR02E, DR02R, DR03E & DR03R)	389	94.86%	15	369
Transfers In Actual (DR02A & DR03A)	111	98.20%	20	109
Transfers Out (DR09E & DR10E)	131	93.89%	10	123
Transfers Out actual (DR09A & DR10A)	69	92.75%	10	64
Estimates Employee (DR08)	594	99.16%	15	589
Estimates Employer (DR22R & DR22W)	333	99.70%	15	332
Retirements (DR14, DR14W & DR12 & DR12I & DR14I & DR22I)	1116	91.67%	5	1023
Deferred Benefits (DR11 & DR11W)	976	96.00%	40	937
Refunds (DR16 & DR16W)	1279	82.64%	15	1057
Deaths (DR23)	127	100.00%	5	127
Correspondence (DR24 & DR24A)	1859	98.82%	30	1837
Total	**9857**	**95.76%**		**9439**

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Annual Benefit Illustration 2017

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 2017.

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,

Anne Weldon
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 31/03/2017:

If you hold more than one active post you will have a pension record and illustration for each post unless you started contributing after 31/03/2017.

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 2017.

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 Consumer Prices Index (CPI). This year the cost of living adjustment was 1%. Although last year's 0.1 percent decrease is shown on the illustration, the 1% increase due for this year is not shown. This is because the cost of living adjustment is added each year in April, after the date of this illustration.

Example:
£448.98 added to pension account
MINUS negative cost of living increases £448.98 x - 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 X1 / 98 = £224.49 added to 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 2017, assuming you retire on or after your State Pension Age, which is the normal retirement date for LGPS scheme benefits.

If you are currently aged 60 to State Pension Age, 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.

Your benefits at 31 March 2017 including Final Salary Pension Benefits and Career Average Pension Benefits as detailed after

Total pension at 31 March 2017:		(per annum)
Automatic Lump sum:		
(for pre 2008 membership only)		
Contingent partner's pension:		(per annum)

The above amounts are made up of your Final Salary Pension Benefits and CARE Pension benefits as detailed after.

Final Salary Benefits at 31 March 2017 - applicable for membership built up to 31 March 2014

Final pay (full time equivalent):		
Total membership up to 31 March 2014:		
Pension for pre April 2014 membership:		(per annum)

Please note that your Final Salary Benefits are based on your full time equivalent pay at date of leaving. This is applied to any membership of the scheme before 31 March 2014. Changes to the amounts quoted in this section will be the result of changes to your full time equivalent pay only.

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.

Career Average Pension Scheme (CARE) benefits at 31 March 2017 – applicable for membership built up after 1 April 2014

CARE pensionable pay in year 2016 -2017:

Pension for Main Section of the scheme:

Pension for 50 / 50 Section of the Scheme:

CARE pension account information

Previous year closing balance:

Cost of living adjustment:

+ 2016 / 2017 pension build up as above:

CARE pension at 31 March 2017: (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.

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.

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)
Projected Total Pension at NRD	(per annum)
Automatic lump sum:	
from pre 2008 membership	
Projected contingent partner's pension at NRD:	(per annum)

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 lump sum 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**

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 2017.

Death grant:

Contingent pension: (per annum)

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.

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 lump sum 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.

Pensions Tax

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 apply a tax charge. Any pension growth in excess of the 2016 / 2017 annual allowance of £40,000 is subject to tax at your highest tax rate.

If you have breached the £40,000 limit or are close to breaching it, we will check your pay figures carefully and write to you individually by October 2017. Please be aware that you are responsible for your own tax liabilities, DCPF are only able to inform you of the amount of annual allowance you have used within the DCPF fund.

Tapered Annual Allowance

You will be subject to a Tapered Annual Allowance if your 'Threshold Income' is above £110,000 and your 'Adjusted Income' is above £150,000. Your Threshold Income is your taxable income from all sources including, for example; salary, rental incomes and interest on saving, less tax reliefs including pension contributions. Your Adjusted Income is your Threshold Income plus any pension contributions to a defined contribution arrangement including Additional Voluntary Contributions (AVCs) and any Defined Benefit pension accrual. If you exceed these limits, your Annual Allowance will be reduced from the standard £40,000 by £1 for every £2 you exceed, with a maximum reduction of £30,000. It is your responsibility to assess whether a Tapered Annual Allowance applies to you. If you think this may affect you, please see the HMRC website at **www.gov.uk/guidance/pension-schemes-work-out-your-tapered-annual-allowance**

The Lifetime Allowance

Pensions Lifetime Allowance has decreased to £1 million, this amount is calculated when you take your pension benefits. You may be affected if you are paid a high salary and / or you have a lot of pension membership. Individual Protection 2016 or Fixed Protection 2016 may be possible, please see the HMRC website for further details regarding these protections.
www.gov.uk/guidance/pension-schemes-protect-your-lifetime-allowance

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To: Dorset County Pension Fund
County Hall
Dorchester
Dorset
DT1 1XJ

Private and confidential

Annual Benefit Illustration 2017
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:

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 or visit www.lgpsmember.org/more/apc

For further information on the in-house AVC facility please contact the Prudential.

Telephone: **0800 012 1378**
Website: **www.pru.co.uk/localgov**

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.

Feedback

We would really appreciate your feedback on this annual benefit illustration. Please email us at **pensionshelpline@dorsetcc.gov.uk** or use the form provided on page 13.

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**

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**

Ref: 0538

INVESTORS IN PEOPLE

Local Government Pension Scheme Newsletter 2017

Included in this newsletter

- ✓ Prudential information changes
- ✓ Topping up Pension leaflet
- ✓ Flexible retirement
- ✓ 50 / 50 section
- ✓ Factsheets

Congratulations to Andy Harris, winner of the DCPF 2016 newsletter competition, for his picture of Wareham River.

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

Benefits of the LGPS

The LGPS is an excellent and safe pension scheme, the following are some of the benefits you receive as a member of the scheme:

- You will receive a pension paid monthly in retirement AND an optional tax free lump sum
- If you should die, the LGPS provides pensions for husbands, wives, civil partners, cohabiting partners and eligible children
- There is immediate life cover built into the LGPS; as soon as you join you have death in service cover
- If you are too ill to continue working there are ill health pension provisions payable from any age (subject to 2 years membership)
- You are able to take your pension benefits at any time between age 55 and age 75
- 10 year pension guarantee (up to age 75)
- Your contribution rate depends on how much you are paid
- Your employer pays in too
- You can pay more contributions to increase your pension benefits
- If you cannot afford your contributions, you can pay 50% of your normal contributions and get 50% pension benefits

Is the LGPS too expensive for you?

The LGPS is an excellent pension scheme, where the benefits you receive are very good value for the contributions you pay. The example below shows how your Career Average Revalued Earnings (CARE) pension is worked out using the current contribution bands. The interest added for the first four years are the actual CPI (Consumer Prices Index) figures added in those years, after that a fictional example figure of 1% has been added.

Year	Salary	Pension Pot at Start	Accrual rate	Pension Earned	Pension Pot at end	"interest " CPI	Total Pension	% Salary
1	£20,000	£0 pa	1 / 49	£408.16	£408.16	£4.08	£412.24	2%
2	£20,250	£412.24	1 / 49	£413.27	£825.51	£9.91	£835.41	4%
3	£20,500	£835.41	1 / 49	£418.37	£1,253.78	-£1.25	£1,252.53	6%
4	£20,750	£1,252.53	1 / 49	£423.47	£1,676.00	£16.76	£1,692.76	8%
5	£21,000	£1,692.76	1 / 49	£428.57	£2,121.33	£21.21	£2,142.54	10%
10	£22,250	£4,039.16	1 / 49	£454.08	£4,493.24	£44.93	£4,538.17	20%
20	£24,750	£9,498.13	1 / 49	£505.10	£10,003.23	£100.03	£10,103.26	41%
30	£27,250	£16,067.36	1 / 49	£556.12	£16,623.48	£166.23	£16,789.71	62%

Is it a good deal?

In the example above the member would have paid the following pension contributions to receive the quoted pension on retirement.

5 years CARE contribution total = £5,945.00
Pension built up after 5 years = £2,142.54 (pa)

30 years CARE contribution total = £45,202.50
Pension built up after 30 years = £16,789.71 (pa)

In **less than 3 years** contributions are "paid back" in pension payments (not taking into account taxation).

50 / 50 Section

Do you know about the 50 / 50 section of the LGPS? This enables members to pay 50% of normal pension contributions and will accrue 50% of the normal pension benefit each year. However full death in service and ill health benefits will be received.

For members who otherwise could not afford the full contribution rate, this provides a way of continuing to save for retirement and enjoy the benefits of the scheme, as noted on the front page.

If you would like to join the 50 / 50 section, you will need to complete a form found on our website at:

www.yourpension.org.uk/Dorset/LGPS-2014/What-is-the-50/50-option

Prudential Additional Voluntary Contributions

New Prudential Additional Voluntary Contributions website for Local Government Pension Scheme members

Prudential have created a new, single site for you at www.pru.co.uk/localgov. This dedicated site was designed based on member feedback and Prudential's research. It aims to educate and inform you with engaging and useful content about how you can improve your pension benefits by making additional voluntary contributions.

So what do you now have?

- Concise, easy to understand content – on one page.
- New, extended range of case studies – for both new members and those wishing to increase contributions.
- Two new calculators – one for new members, one for existing members.
- Guidance and clear signposting throughout the site - helping you find the most relevant information to you quickly.
- Improved online application forms.

Changes to the Prudential Exit Charges

The Prudential currently apply an exit charge to Local Government AVC members who take their benefits, or transfer out, within the first 3 years of making their first contribution to their AVC. From the 19th March 2017 this has changed as follows:-

- Members whose first contribution is received on, or after, the 19th March 2017 will no longer be subject to an exit charge regardless of age.
- Members whose first contribution was received prior to the 19th March 2017 will have their exit charge capped at 1% for the first 3 years and 0% thereafter regardless of age.

State Pension

The amount of State Pension you will get when you retire is based on your record of National Insurance Contributions (NICs):

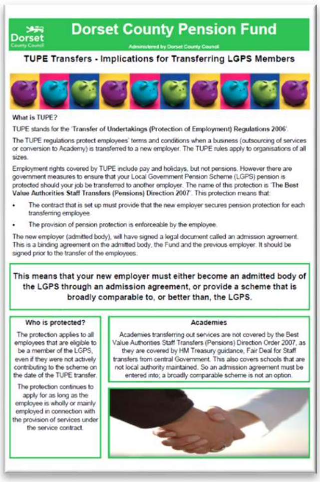
- If you reached State Pension age before 6 April 2016, you need to have completed at least 30 qualifying years of NICs to receive the basic State Pension of £119.30 per week (2016/17 rate).
- If you reach State Pension age on or after 6 April 2016, your past NICs to that date will be used to calculate a 'Starting Amount' for the new State Pension. From 6 April 2016 you may be able to add 1/35 of the full amount to this each year, until you reach the full amount, or your State Pension age, whichever comes first. The full amount of the new State Pension is £155.65 per week (2016/17 rate). To get your individual forecast go to www.gov.uk/check-state-pension.

Please be aware that this only affects your State Pension and not your LGPS entitlement.

If you are concerned about your pension and would like to consider topping up your LGPS pension, more information can be found on the Topping up Pension Benefits factsheet at www.yourpension.org.uk/Dorset/In-the-Scheme/Publications

Useful information for members for members

TUPE factsheet


Dorset County Council

Dorset County Pension Fund

Administered by Dorset County Council

TUPE Transfers - Implications for Transferring LGPS Members

What is TUPE?

TUPE stands for the 'Transfer of Undertakings (Protection of Employment) Regulations 2006'.

The TUPE regulations protect employees' terms and conditions when a business (outsourcing of services or conversion to Academy) is transferred to a new employer. The TUPE rules apply to organisations of all sizes.

Employment rights covered by TUPE include pay and holidays, but not pensions. However there are government measures to ensure that your Local Government Pension Scheme (LGPS) pension is protected should your job be transferred to another employer. The name of this protection is 'The Best Value Authorities Staff Transfers (Pensions) Direction 2007'. This protection means that:

- The contract that is set up must provide that the new employer secures pension protection for each transferring employee.
- The provision of pension protection is enforceable by the employee.

The new employer (admitted body), will have signed a legal document called an admission agreement. This is a binding agreement on the admitted body, the Fund and the previous employer. It should be signed prior to the transfer of the employees.

This means that your new employer must either become an admitted body of the LGPS through an admission agreement, or provide a scheme that is broadly comparable to, or better than, the LGPS.

Who is protected?

The protection applies to all employees that are eligible to be a member of the LGPS, even if they were not actively contributing to the scheme on the date of the TUPE transfer.

The protection continues to apply for as long as the employee is wholly or mainly employed in connection with the provision of services under the service contract.

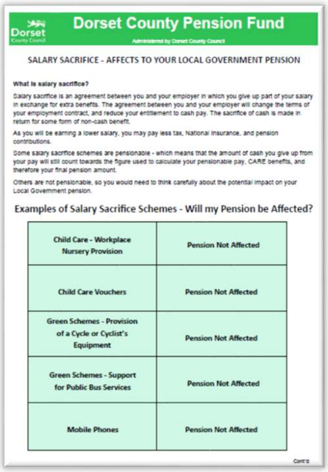
Academies

Academies transferring out services are not covered by the Best Value Authorities Staff Transfers (Pensions) Direction Order 2007, as they are covered by HM Treasury guidance, Fair Deal for Staff transfers from central Government. This also covers schools that are not local authority maintained. So an admission agreement must be entered into; a broadly comparable scheme is not an option.

TUPE (Transfer of Undertakings (Protection of Employment) Regulations 2006) regulations may protect you if your employer outsources services to a new employer. Although the TUPE regulations do not protect your pension provision there is an additional protection called The Best Value Authorities Staff Transfers (Pensions) Direction 2007. Under this protection your new employer would have to become an admitted body of the LGPS through an admission agreement, or provide a scheme that is broadly comparable to, or better than, the LGPS. On the DCPF website is a factsheet explaining the implications of TUPE for LGPS members.

www.yourpension.org.uk/Dorset/In-the-Scheme/Publications

Salary Sacrifice


Dorset County Council

Dorset County Pension Fund

Administered by Dorset County Council

SALARY SACRIFICE - AFFECTS TO YOUR LOCAL GOVERNMENT PENSION

What is salary sacrifice?

Salary sacrifice is an agreement between you and your employer in which you give up part of your salary in exchange for extra benefits. The agreement between you and your employer will change the terms of your employment contract, and reduce your entitlement to cash pay. The sacrifice of cash is made in return for some form of non-cash benefit.

As you will be earning a lower salary, you may pay less tax, National Insurance, and pension contributions.

Some salary sacrifice schemes are pensionable - which means that the amount of cash you give up from your pay will still count towards the figure used to calculate your pensionable pay, CARE benefits, and therefore your final pension amount.

Others are not pensionable, so you would need to think carefully about the potential impact on your Local Government pension.

Examples of Salary Sacrifice Schemes - Will my Pension be Affected?

Child Care - Workplace Nursery Provision	Pension Not Affected
Child Care Vouchers	Pension Not Affected
Green Schemes - Provision of a Cycle or Cyclist's Equipment	Pension Not Affected
Green Schemes - Support for Public Bus Services	Pension Not Affected
Mobile Phones	Pension Not Affected

Cont'd

Salary sacrifice is an agreement between you and your employer in which you give up part of your salary in exchange for extra benefits. As you will be earning a lower salary, you may pay less pension. Some salary sacrifice schemes may impact on your LGPS pension.

DCPF have created three factsheets explaining the impact of the different types of salary sacrifice, a general salary sacrifice, a car salary sacrifice and a Shared Cost Additional Voluntary Contributions (SCAVC) salary sacrifice factsheet.

www.yourpension.org.uk/Dorset/In-the-Scheme/Publications

Flexible Retirement

If you would like to make a gradual move into retirement, you may be able to flexibly retire. Flexible retirement is an option available to members of the LGPS who have more than 2 years service and are aged over 55, subject to their employer's agreement. Every employer who offers the LGPS will have a policy on flexible retirement which should outline the conditions for taking it.

Flexible retirement allows you to reduce your contracted hours or move to a lesser pay grade and draw some or all of the pension benefits already built up. You will continue paying into the LGPS and build up a new pension in your ongoing (reduced) position.

As it is your employer's decision whether you are able to flexibly retire, subject to their policy, please contact them first to see if this is a possibility for you. Further details on flexible retirement can be found at www.lgpsmember.org/tol/thinking-leaving-when.php

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.

Pension Fund Committee

Dorset County Council

Date of Meeting	13 September 2017
Officer	Pension Fund Administrator
Subject of Report	**The Brunel Pensions Partnership – project progress report**
Executive Summary	At its meeting 7 January 2017, the Pension Fund Committee approved the Full Business Case (FBC) for the establishment of the Brunel Pensions Partnership. This report provides an update to the Committee on progress in implementing the FBC.
Impact Assessment:	Equalities Impact Assessment: N/A
	Use of Evidence: Extensive use of finance industry expertise has been drawn on during the development of the Full Business Case.
	Budget: Details of the expected costs of implementing the project are included in the report.
	Risk Assessment: Details of the expected risks of implementing the project are included in the report
	Other Implications: None.

Recommendation	That the Committee notes the progress establishing the Brunel Pension Partnership.
Reason for Recommendation	To ensure that the Fund has the appropriate management arrangements in place.
Appendices	None.
Background Papers	Brunel Pensions Partnership Full Business Case
Report Originator and Contact	Name: David Wilkes Tel: 01305 224119 Email: d.wilkes@dorsetcc.gov.uk

1. Introduction

1.1 Following the Government's announcement in the July 2015 budget statement that they intended to work with Local Government Pension Scheme (LGPS) administering authorities to ensure that they pool investments to significantly reduce costs, considerable work has been undertaken by the Fund, in conjunction with nine neighbouring funds, to set up the Brunel Pension Partnership.

1.2 Regular reports have been brought to this Committee at all stages of the process, with additional engagement events also being held to provide the opportunity for Committee members to provide input to the proposals. As required by Government an initial joint submission from the ten Brunel funds was approved by this Committee in February 2016 and a more detailed response in June 2016 which was submitted to the Government in July 2016.

1.3 At the additional meeting on 9 January 2017 the Committee resolved that the Brunel Pension Partnership investment pool be developed, funded and implemented in accordance with the Full Business Case (FBC), including the setting up of a Financial Conduct Authority (FCA) regulated company to be named Brunel Pension Partnership Limited (BPP Ltd.). This was then ratified by Council on 16 February 2017. The FBC had also been approved by the nine other nine participating administering authorities.

1.4 This report provides members with update on progress against implementing the FBC, in particular work that is now underway to form the company.

2. Establishment of BPP Ltd

2.1 BPP Ltd was formally created on 18 July 2017, with representatives from the administering authorities of each of the ten founding funds signing the shareholders agreement to establish the company.

2.2 The leadership team has now been established in full, with the following non-executive and executive appointments to the company board:

- Denise Le Gal, Independent Chair
- Mike Clark, Non-Executive Director (NED)
- Frederique Pierre-Pierre, Non-Executive Director (NED)
- Steve Tyson, Shareholder Non-Executive Director (NED)
- Dawn Turner, Chief Executive Officer (CEO)
- Mark Mansley, Chief Investment Officer (CIO);
- Laura Chappell, Chief Compliance and Risk Officer (CCRO); and
- Joe Webster, Chief Operating Officer (COO).

2.4 The process to recruit the operational staff reporting to the executives has begun with interviews taking place during August and September of officers from the client funds who expressed an interest in joining BBP Ltd. External recruitment plans are also being developed, taking account of this 'internal' process.

2.5 Following formal creation, BPP Ltd has been able to progress a number of practical operational requirements, including signing a lease for office space (101 Victoria Street, Bristol, United Kingdom, BS1 6PU), submission of HMRC registrations, opening a bank account, and commencement of the procurement of IT services.

2.6 The next major hurdle is for BPP Ltd to achieve Financial Conduct Authority (FCA) approval, with the final submission of forms targeted for September/October 2017.

2.7 Each of the founding funds have made their first shareholder contribution of £300k towards the regulatory capital requirements of BPP Ltd, with a second contribution of approximately £500k to be requested in December 2017.

3. Appointment of Administrator / Custodian

3.1 Each LGPS Fund employs a custodian bank (or banks) to safeguard its investment assets and process transactions. The Dorset Fund employs HSBC and Banque Pictet as their custodians for UK and overseas holdings respectively. BPP Ltd. will also need to appoint a custodian. However, the nature of the business they will be undertaking and the requirement for Financial Conduct Authority (FCA) regulation will mean that the role will be wider than the custodian's current role and will become a role defined by the FCA as an "administrator" rather than a custodian.

3.2 An Invitation to Tender (ITT) was published at the end of April and six submissions were received in response. Following evaluation of the responses by representatives of BPP Ltd and officers of each of the ten client funds, State Street has been selected as the preferred bidder. Contracts with State Street are currently being finalised, and transition plans are being developed.

4. Portfolio Development

4.1 Following the results of the triennial actuarial valuation most of the client funds have undertaken a review of their strategic asset allocation. As these reviews have now largely concluded, the client group will shortly be reviewing with Mark Mansley, Chief Investment Officer, BPP Ltd, the investment portfolios required compared to those identified in the FBC. BPP Ltd will then begin to develop detailed plans to make those portfolios available for client funds to invest in. Further details will be reported to the next meeting of the Committee, 23 November 2017.

5. Engagement Events November 2017

5.1 A number of engagement events have been scheduled for November, open to members of each client fund's Pension Fund Committee (or equivalent) and each client fund's Local Pension Board. Details of these events will be emailed to Committee members.

6. Conclusion

6.1 The Brunel project continues to make good progress, and is currently on track to meet the target date of April 2018 for the company to begin transitioning assets from the participating funds.

Richard Bates
Pension Fund Administrator
September 2017

Pension Fund Committee

Dorset County Council

Date of Meeting	13 September 2017
Officer	Pension Fund Administrator
Subject of Report	**Fund Administrator’s Report**
Executive Summary	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 quarter to 30 June 2017. 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. The Independent Adviser’s report is contained at Appendix 1, and will be presented separately at the meeting. The report shows that overall the Fund returned 0.7% over the three months to 30 June 2017, underperforming its benchmark which returned 1.0%. Return seeking assets returned 1.1%, whilst the liability matching assets returned -2.1%.
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	That the Committee : i) Review and comment upon the activity and overall performance of the Fund. ii) Notes the potential impact of the implementation of MiFID II from January 2018 on investment strategy, and approves officers to apply for the administering authority to opt up from retail client to elected professional client status with all relevant financial institutions.
Reason for Recommendation	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.
Appendices	Appendix 1: Report of the Independent Adviser Appendix 2: New Money Forecast Appendix 3: HSBC Manager Performance to 30 June 2017
Background Papers	HSBC Performance Statistics
Report Originator and Contact	Name: David Wilkes Tel: 01305 224119 Email: d.wilkes@dorsetcc.gov.uk

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. It is estimated that there will be a surplus of income over expenditure from these cash flows of approximately £25M in the 2017/18 financial year. The outturn cash-flows for 2016/17 and the anticipated cash flows for 2017/18 along with the historic trends are illustrated in Appendix 2.

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 financial year to date.

Statement of cash-flow for the three months ended 30 June 2017

	£M	**£M**
Cash at 1 April 2017		**30.3**
Less:		
Infrastructure Drawdowns (net)	4.0	
UK Equity transactions (net)	0.5	
Property Transactions (net)	0.5	
		5.0
Plus:		
Private Equity (net)	4.0	
Liability Matching Bond (net)	20.0	
Currency Hedge (net)	5.5	
Increase in Cash	2.6	
		32.1
Cash at 30 June 2017		**57.4**

2.2 The cash flow above summarises the most significant transactions that have taken place for the three months to the end of June 2017. Since the end of June, the most significant transaction has been the purchase of the property at Park Plaza, Waterloo for £15.7M leaving cash balances of approximately £40.6M at the 31 July 2017.

3. Asset Valuation and Target Allocation

3.1 The table below shows the position as at 30 June 2017. 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.

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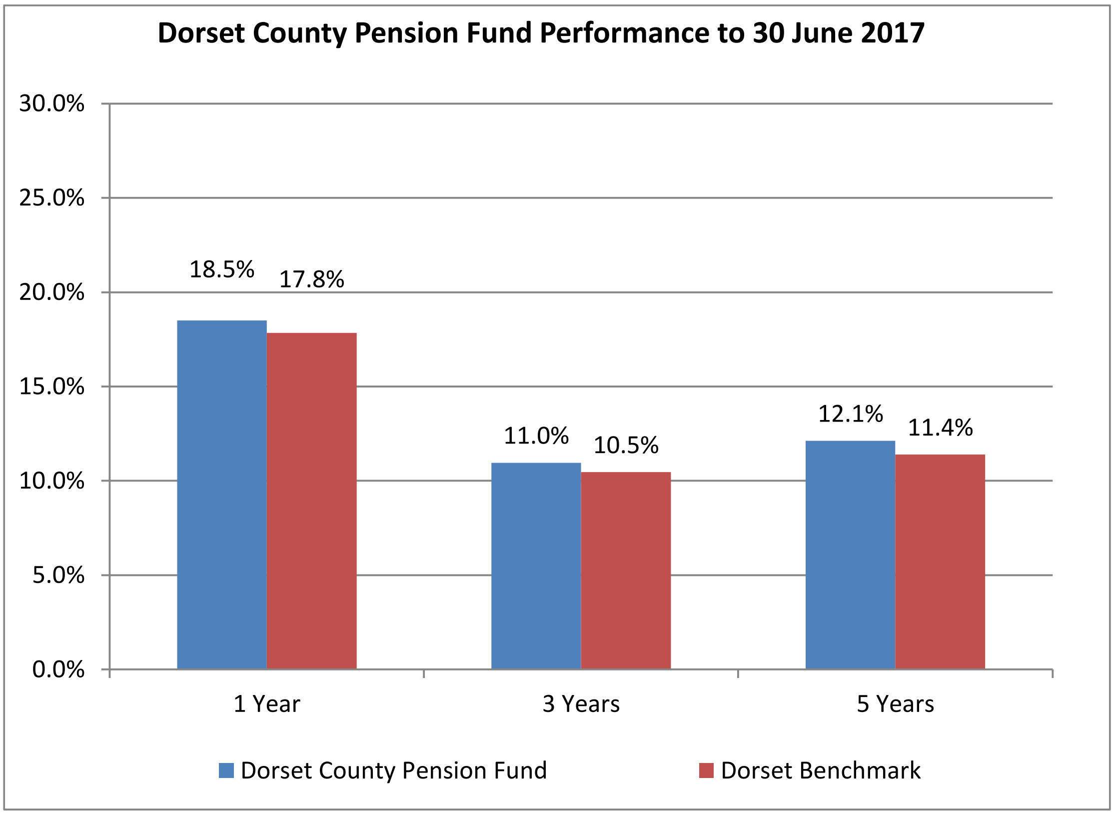
Asset Class	Manager	31-Mar-17 £M	31-Mar-17 %	30-Jun-17 £M	30-Jun-17 %	Target Allocation £M	Target Allocation %
Bonds	RLAM	313.5	11.45%	317.1	11.48%	345.2	12.50%
UK Equities	Several	694.7	25.38%	702.4	25.43%	724.9	26.25%
Overseas Equities	Several	763.0	27.88%	766.5	27.75%	724.9	26.25%
Property	CBRE	241.1	8.81%	246.4	8.92%	276.2	10.00%
Absolute Return Funds	Several	0.4	0.01%	-	0.00%	-	0.00%
Infrastructure	Several	98.0	3.58%	102.7	3.72%	110.5	4.00%
Private Equity	Several	77.0	2.81%	75.1	2.72%	110.5	4.00%
Diversified Growth	Barings	119.1	4.35%	121.6	4.40%	138.1	5.00%
Cash	Internal	30.3	1.11%	57.4	2.08%	-	0.00%
Total Return Seeking Assets		**2,337.1**	**85.39%**	**2,389.2**	**86.51%**	**2,430.3**	**88.0%**
Liability Matching Assets	Insight	399.8	14.61%	372.5	13.49%	331.4	12.00%
Total Asset Valuation		**2,736.9**	**100.00%**	**2,761.7**	**100.00%**	**2,761.7**	**100.0%**

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 which will take a number of years to fully drawdown.

4. Overall Fund Performance

4.1 The performance of the Fund for the three months to 30 June 2017 shows an overall return of 0.65%, an under-performance of the benchmark of 0.96% by 0.31%.

4.2 Over the longer term, the Fund has exceeded its benchmark over 3 years, returning an annualised 11.0% against the benchmark of 10.5%, and over 5 years, returning an annualised 12.1% against the benchmark of 11.4%. The chart below shows the overall performance for 1, 3 and 5 years against the Fund's bespoke benchmark.



4.3 When considering the overall performance it is important to distinguish between 'return seeking' and '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 Investments. 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.

4.4 For the three months to 30 June 2017, return seeking assets have returned 1.07% against the benchmark of 1.34%, and the liability matching assets have returned 2.12% against the benchmark of -2.04%. This strategy is intended to hedge against the impact of increasing pensions liabilities which are linked to the Consumer Prices Index (CPI). CPI cannot currently be hedged as there is not a sufficiently developed futures market, so the Fund's 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 return seeking and liability matching assets.

Asset Category	Manager	3 Months to 30 June 2017		
		Dorset %	Benchmark %	Over/(Under) %
Overall Fund Performance	**All**	**0.65**	**0.96**	**-0.31**
Total Return Seeking Assets	**Various**	**1.07**	**1.34**	**-0.27**
UK Equities	(Various)	1.92	1.44	0.48
Overseas Equities	(Various)	0.38	1.00	-0.62
Bonds	(RLAM)	1.11	0.59	0.52
Property	(CBRE)	3.29	2.35	0.94
Private Equity	(Various)	-0.16	1.42	-1.58
Diversified Growth	(Barings)	2.15	1.06	1.09
Infrastructure	(Various)	0.91	2.41	-1.50
Total Liability Matching Assets		**-2.12**	**-2.04**	**-0.08**
Liability Driven Investment	(Insight)	-2.12	-2.04	-0.08

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 - the asset allocation (market contribution) of the Fund and within those allocations the stock selection (selection contribution) choices that have been made. Market contribution reflects the effect of decisions to change the weighting of the different asset classes within the Fund, and selection contribution is a measure of a fund manager's ability to outperform their benchmark.

4.7 The HSBC performance report, contained at Appendix 3, gives an attribution analysis of the performance for the year to date on pages 7 to 8. This analysis shows that the market contribution had a negative effect of 132bps against the benchmark and stock selection was positive by 12 bps.

5. Manager Progress

<u>Diversified Growth</u>

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 three months to 30 June 2017 is summarised below.

	Market Value 01-Apr-17	Market Value 30-Jun-17	3 months to 30 June 2017	
	£000s	£000s	Performance %	Benchmark %
Barings	119,069	121,628	2.15	1.06

5.3 The return of 2.15% for the three months to 30 June 2017 was above the benchmark of 1.06% by 1.09%. The fund manager comments that the portfolio has benefited by keeping exposures to markets such as Japan and Europe, where the economic recovery has until recently been hidden by political concerns. The preference is to focus more on the corporate earnings potential of Japanese companies and so far this has worked and delivered healthy gains for the fund.

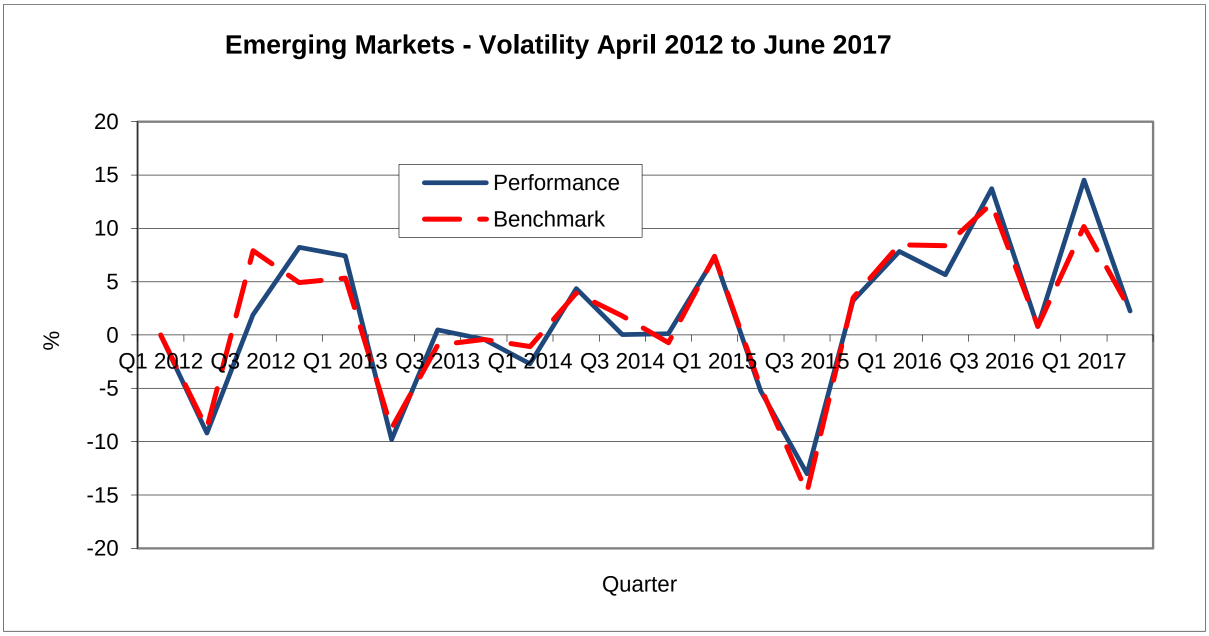
<u>Emerging Market Equity</u>

5.4 The performance of JP Morgan for the three months to 30 June 2017is summarised below.

	Market Value 01-Apr-17	Market Value 30-Jun-17	3 months to 30 June 2017	
	(£000’s)	(£000’s)	Performance %	Benchmark %
JPM	91,232	93,289	2.25	2.40

5.5 The return of 2.25% for the three months to 30 June 2017 was marginally below the benchmark of 2.40% by 0.15%. The fund manager comments that technology, Turkey and China were the largest contributors to performance, while Russia was the biggest negative as falling oil prices put pressure on this market. With the likelihood of rising inflation it has been sought to limit the impact on the portfolio from lower growth by reducing underweight holdings in classic growth stocks like Tencent, Alibaba and JD.com, which outperform when growth is scarce. This risk management helped during the quarter.

5.6 Emerging market equities are seen as the asset class which is likely to 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 June 2017.

5.8 The table shows the commitment the Fund 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 the Fund's commitment. It also shows the distributions that have been returned to the Fund, the valuation as at 30 June 2017 and the total gains or losses, which includes the distribution plus the latest valuation.

Private Equity Commitments, Drawdowns and Valuations

Manager / Fund	Commitment	Drawndown	% of Commitment	Distribution	Valuation	Gain / (Loss)
	€m	€m		€m	€m	€m
HV Partnership V	12.000	11.400	95%	13.577	4.315	6.493
HV Direct V	3.000	2.880	96%	3.472	0.682	1.274
HarbourVest Total €m	15.000	14.280	95%	17.049	4.997	7.766
SL 2006	22.000	20.018	91%	20.795	6.886	7.662
SL 2008	17.000	15.095	89%	8.116	12.111	5.132
Standard Life Total €m	39.000	35.113	90%	28.910	18.997	12.794
Overall Total €m	**54.000**	**49.393**	**91%**	**45.959**	**23.994**	**20.560**
	$m	$m		$m	$m	$m
HV Venture VIII	15.200	14.896	98%	14.321	10.594	10.019
HV Buyout VIII	22.800	21.432	94%	23.236	11.207	13.011
HV Buyout IX	15.000	9.488	63%	3.656	9.252	3.421
HV Partnership VII (AIF)	20.000	7.750	39%	0.431	8.159	0.840
HV Venture IX	10.000	8.500	85%	2.569	9.244	3.313
Harbourvest Partners X AIF	10.000	1.050	11%	0.081	1.116	0.147
Harbourvest Partners X AIF	5.000	0.613	12%	0.038	0.614	0.039
HarbourVest Total $m	98.000	63.728	65%	44.330	50.187	30.789
SL SOF I	16.000	10.885	68%	6.024	10.460	5.599
SL SOF II	20.000	7.643	38%	3.649	9.493	5.499
SL SOF III	20.000	0.000	0%	0.000	0.000	0.000
Standard Life Total $m	56.000	18.528	33%	9.672	19.954	11.098
Overall Total $m	**154.000**	**82.256**	**53%**	**54.002**	**70.140**	**41.887**

5.9 For the three months to 30 June 2017 total drawdowns have been £1.4M and total distributions £5.6M. 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.

Private Equity Overall Performance

Manager	3 Years to 30 Jun 2017		5 Years to 30 Jun 2017	
	Dorset %	Benchmark %	Dorset %	Benchmark %
HarbourVest	23.16	7.40	18.77	10.57
Standard Life	10.47	7.40	10.69	10.57

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 June 2017 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.

	Amount £000s	Rate %
Call Accounts		
National Westminster Bank	3,155	0.01%
Total Call Accounts	3,155	0.01%
Money Market Funds		
Standard Life	14,300	0.24%
BNP Paribas	11,800	0.28%
Federated Prime Rate	12,500	0.24%
Deutsche	12,450	0.22%
Total Money Market Funds	51,050	0.24%
Holding Accounts		
HSBC Custodian Account	2,582	0.00%
Property Client Account	592	0.00%
Total Holding Accounts	3,174	0.00%
Total Cash / Average Return	**57,379**	**0.22%**

7. Markets in Financial Instruments Directive (MiFID) II

7.1 Under the current UK regime, local authorities are automatically categorised as 'per se professional' clients in respect of non-MiFID scope business and are categorised as 'per se professional' clients for MiFID scope business if they satisfy the MiFID large undertakings test or if they fulfil certain 'opt-up criteria'. Dorset County Council, as administering authority for the Fund, is currently categorised as a 'per se professional' client by all our investment managers and other relevant financial institutions.

7.2 Following the introduction of the Markets in Financial Instrument Directive 2014/65 ("MiFID II") from 3 January 2018, financial institutions will no longer be able to categorise a local authority as a 'per se professional client'. Instead, all local authorities must be classified as 'retail clients' unless they are opted up by each institution to 'elective professional client' status.

7.3 A move to retail client status would mean that all financial services providers like banks, brokers, advisers and fund managers will have to treat local authorities the same way they do non-professional individuals and small businesses. That includes a raft of protections ensuring that investment products are suitable for the customer's needs, and that all the risks and features have been fully explained. This provides a higher standard of protection for the client but it also involves more work and potential cost for both the firm and the client, for the purpose of proving to the regulator that all such requirements have been met.

7.4 Even if the institution secures the ability to deal with retail clients, the range of instruments it can make available to the client will be limited to those defined under Financial Conduct Authority (FCA) rules as 'non-complex' which would exclude many of the asset classes currently included in LGPS fund portfolios. In many cases managers will no longer be able to even discuss certain asset classes and vehicles with the authority as a retail client.

7.5 However, MiFID II does allow retail clients which meet certain conditions to elect to be treated as professional clients (to ‘opt up’), subject to a quantitative and a qualitative test assessment by the financial institution. The election to professional status must be completed with all financial institutions prior to 3 January 2018. Failure to do so by local authorities would result in the financial institution having to take ‘appropriate action’ which could include a termination of the relationship at a significant financial risk to the authority.

7.6 Authorities are not required to renew elections on a regular basis but will be required to review the information provided in the opt-up process and notify all institutions of any changes in circumstances which could affect their status, for example, if the membership of the Committee changed significantly resulting in a loss of experience, or if the relationship with the authority’s investment advisor was terminated.

7.7 LGPS pools will be professional investors in their own right so will not need to opt up with the external institutions they use. Local authorities will however need to opt up with their LGPS pool in order to access the full range of services and sub-funds on offer.

7.8 Therefore, in order to continue to implement the Fund’s investment strategy after 3 January 2018, applications for election to be treated as a professional clients need to be submitted to all financial institutions with whom there is an existing or potential relationship in relation to the investments of the Fund as soon as possible.

Richard Bates
Pension Fund Administrator
September 2017

Allenbridge
Part of MJ Hudson

REPORT PREPARED FOR

Dorset County Pension Fund

Pension Fund Committee

September 2017

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INVESTMENT OUTLOOK

Equity markets made further gains in Q2 after the positive start to the year in Q1 and are holding on to these gains so far in Q3. The gradual recovery in the global economy provides support of course though the recent sabre rattling between North Korea and the US has produced some challenge to sentiment. More fundamental concerns like the tightening of monetary policy by the US Federal Reserve or the possible start of tapering by the ECB over quantitative easing have not yet troubled markets. Over the period, the dollar has been weak and the euro strong.

In the UK, the unexpected June election weakened the government and complicated the task of delivering Brexit. Preliminary discussions with the EU over financial transfers, Ireland and residency rights are not yet resolved but it looks as though the government will request an interim or transitional period of some two years while seeking a new trade deal and that it will not remain in the single market or customs union. The market has taken some reassurance from the increased emphasis on economics and the reduced likelihood of a hard Brexit.

After such a long bull run, it is natural to ask what could cause a market correction or even a crash. It is now ten years since the first cracks appeared which signalled the financial crisis. The major market setbacks of 1987, 1994, 2001 and 2007 all had different causes. The risks are clearly there, especially in the US which has led the economic recovery and where risk assets like equities and credit appear fully valued. Elsewhere, this is not the case but clearly contagion can lead to a mass sell-off. That is why the task of the Fed in normalising monetary policy without destabilising markets is so critical.

ECONOMY

There has been little change to the global macro outlook since our last report which noted the gradual move to a synchronised economic upswing, though the UK appears to be slowing against the trend. Whatever the pace of the recovery, inflation is showing few signs of responding, encouraging policy makers to slow any monetary tightening.

In the US, economic activity has picked up after a weak Q1 but the economy is only growing moderately and inflation is subdued. This is probably why the dollar has been so weak as markets factor in slower tightening. The fiscal stimulus that was expected from President Trump now looks remote with the infrastructure bill showing very little new federal spending. Recent focus has been on the new administration’s talk of rolling back the post-crisis regulations on the banks, which would seem to undermine the effort to make the banking system better able to withstand the next financial shock. The protectionist scare seems though to be on the wane, a more positive development.

Sterling has been weak against the euro but has held its own against the dollar recently. The Bank of England has not yet reversed the emergency help and rate cut provided post the referendum but the MPC seems to be moving in that direction. The inflation picture certainly warrants a move with CPI around the 2.7% level and likely to go close to 3% but the real economy is softening because of the squeeze on real disposable income. Last year’s collapse in sterling has not produced the gains to net trade that had been hoped for and manufacturing output looks sluggish. Forecasts are being lowered to around 1.6% for the year but despite that, unemployment has fallen to 4.4%, the lowest level since 1975 remarkably.

Little by little, the government’s evolving policy on Brexit is coming through with talk of a transitional arrangement before a new trade deal kicks in. The timetable seems very tight to agree the terms of exit by March 2019, the nature of the transition and the scope of the eventual free trade deal all before 2022, the date of the next election. This will mean continuing uncertainty with consequences for business investment and economic activity.

In Europe, activity continues to pick up and the crisis seems to be finally over, so much so that markets are awaiting a statement from Draghi of the ECB as to when it will start to throttle back on the amount of bond buying, so-called tapering. The process of removing support from markets will be slow and not without risk to the new found stability.

Emerging markets have been the strongest performers so far this year and this reflect confidence that, with some exceptions like South Africa, growth is on an improving trend. Commodity prices are off the lows and EM currencies have recovered much of recent lost ground. Sentiment has been improved by events in the US too, i.e. the slow rate of Fed tightening and the reduction in protectionist rhetoric from the White House. China remains a tail risk if the attempts by the authorities to bring the economy under control backfire but so far the economy is maintaining a 6% expansion.

MARKETS

"In conclusion, markets could remain at these more elevated levels for some time without going anywhere. The economic news flow is positive and gradually catching up with equities." That was the comment in our last report and not much has changed except that markets have inched higher. Valuation looks rich in the US but reasonable elsewhere and earnings growth and price momentum remain positive for equities.

If there is a bubble, it is probably in bond markets as Mr Greenspan suggested recently. That certainly remains the case in the UK where ten year gilt yields continue around the 1.1% level. This raises difficult decisions for pension funds wishing to hedge out liability risk. In the US and Europe, government bond yields are moving back to more sensible levels so from a US perspective, the concern might be more in credit markets with corporate bond spreads narrowing in. Investment grade corporate bonds now yield some 3% and high yield bonds around 5%, close to recent lows. This demonstration of risk appetite mirrors what is happening to US equities of course. Floating rate paper like loans might be a better bet therefore at these levels.

Emerging market equities have been the star performer in the year to date with returns over 20% while the UK has lagged the other developed markets at the low end of the 5-10% range they have delivered. Companies continue to support share prices with buybacks and dividend increases in the US while elsewhere it is more a story of profits recovery. This benign environment looks well set to continue barring an external shock. Apart from geopolitical developments, there are the usual suspects: too rapid rate tightening by the Fed; trouble in the credit markets caused by rising bad loans and weak lending covenants; and some mistakes by Chinese policymakers. None of these look immediate threats though North Korea has a concerning element of unpredictability about it. It would seem sensible on a balanced judgement to avoid running an excessive risk position in equities and credit at present in anticipation of some correction if not of a crash.

Much the same could be said of UK commercial property where the market has recovered from the post-Brexit sell off. Fundamentals look rather strained given the extended bull market preceding that. Even so, no more than a subdued period for the market is forecast but it will to some extent be a hostage to the Brexit negotiations, certainly as far as the London office market is concerned.

ASSET ALLOCATION

The external consultant's report on investment strategy drew attention to the relatively high rate of return of 5.4% required as a consequence of the actuarial discount rate. That implies a higher risk tolerance than would be expected in a corporate pension scheme for example and therefore a greater emphasis on real assets like equities and property. The strategy report attempted to deliver that but with a reduced level of risk or volatility and subsequent iterations to the initial recommendations still predict that outcome.

It should be emphasised that all such exercises are model driven and rely on assumptions concerning future returns, volatility and correlations across asset classes that may prove invalid. Importantly, in combination, the proposed asset allocation suggests about a 50% probability of delivering the required return.

The final recommendations are discussed in detail in a separate report on the agenda. It is a balanced scorecard but one designed to deliver the relatively high required return while reducing volatility and therefore fluctuations in the funding ratio. The ultimate objective is of course to fund the deficit over the agreed time period in conjunction with sponsor contributions without too many surprises on the way.

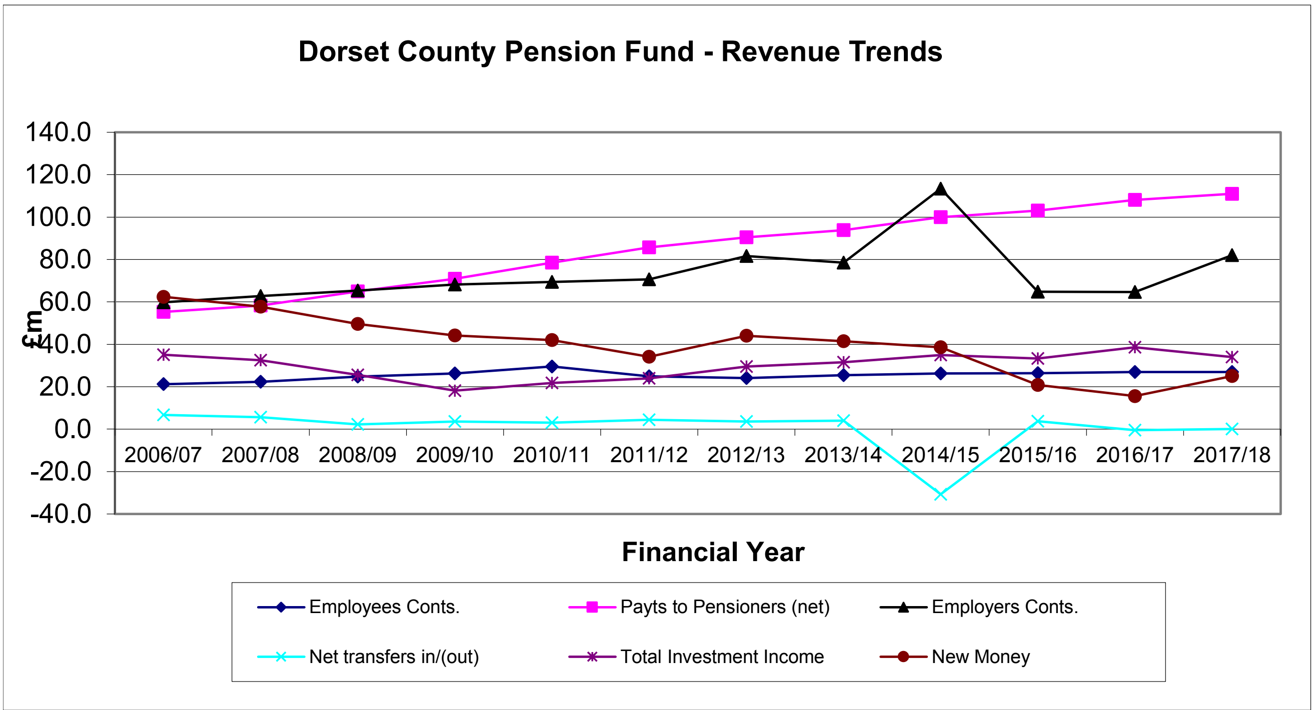
For Further Information

For further information, please contact Alan Saunders on 020 7079 1000 or at alan.saunders@allenbridge.com

NEW MONEY FORECAST

	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Actual	2017/18 Estimate
	£'000	£'000	£'000	£'000	£'000
RECEIPTS:					
Employers' Contributions	78,500	113,400	64,800	64,600	82,000
Employees' Contributions	25,400	26,300	26,400	27,000	27,000
Transfer Values (net)	4,000	3,200	3,700	-500	0
Investment Income	31,600	34,900	33,300	38,600	34,000
TOTAL RECEIPTS:	**139,500**	**177,800**	**128,200**	**129,700**	**143,000**
PAYMENTS:					
Management Expenses	4,300	4,800	4,300	6,000	7,000
Payments to Pensioners (net)	93,800	100,000	103,100	108,100	111,000
Transfer of Probation Service to Gtr Manchester		34,400	0	0	0
TOTAL PAYMENTS:	**98,100**	**139,200**	**107,400**	**114,100**	**118,000**
NET SURPLUS FOR THE YEAR	**41,400**	**38,600**	**20,800**	**15,600**	**25,000**

REVENUE TRENDS & FORECASTS



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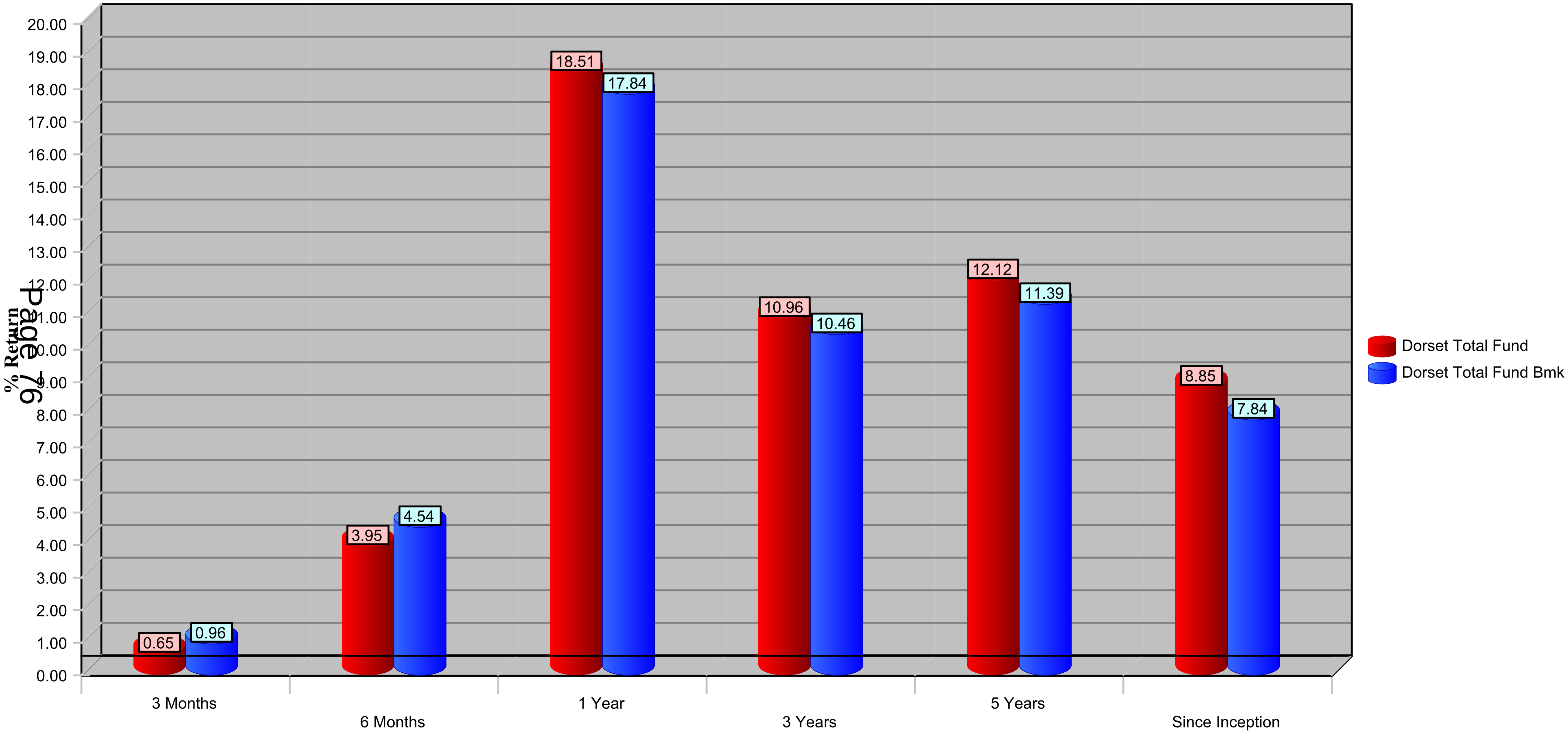
HSBC

Dorset County Pension Fund Total

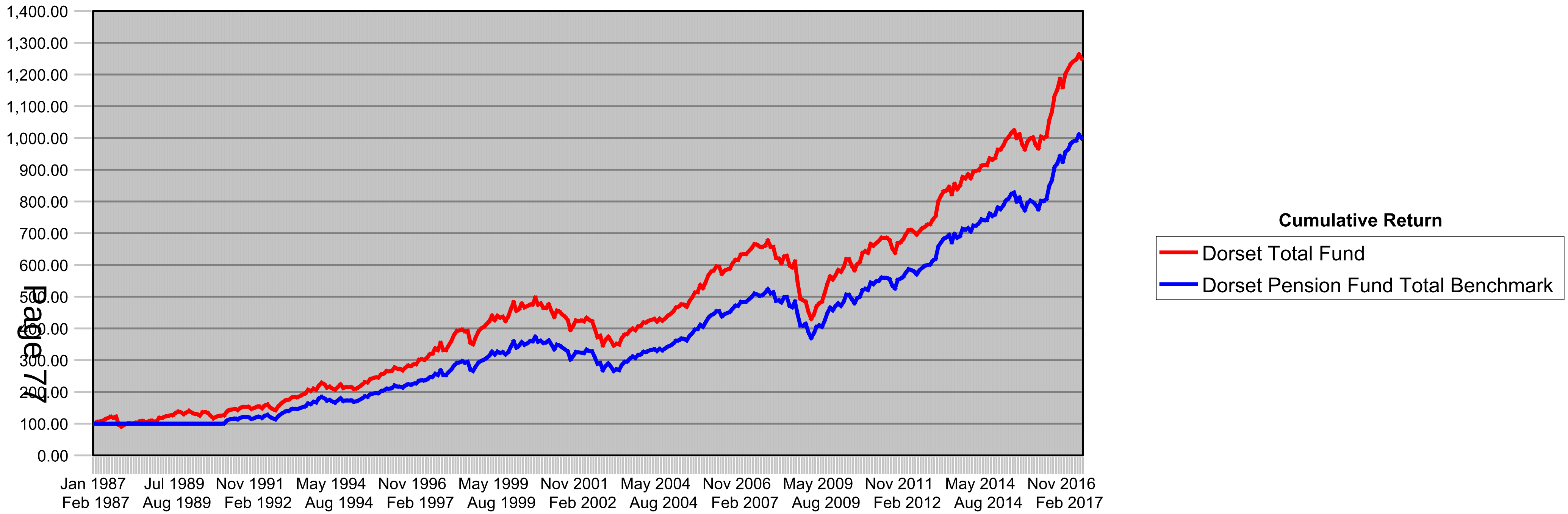
01 Apr 2017 - 30 Jun 2017

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
TOTAL ASSETS	**2,736,896,827**	**20,764,985**	**2,761,743,291**	**4,081,479**	**13,535,557**	**0.65**
Total Return Seeking Assets	**2,337,108,296**	**40,764,985**	**2,389,193,459**	**11,320,178**	**13,535,557**	**1.07**
Total Assets ex Hedging	2,337,108,296	35,067,138	2,389,193,459	17,018,025	13,535,557	1.31
Total Equities	1,449,582,470	6,286,696	1,462,224,908	6,355,742	10,519,513	1.16
UK	737,172,049	8,734,098	753,120,753	7,214,606	6,963,105	1.92
Dorset UK Internally Managed	461,719,110	75,933	461,037,181	-757,862	6,522,552	1.24
AXA Framlington UK Equity	185,413,138		189,954,527	4,541,389		2.45
Schroders UK Small Cap Equity	47,615,349	-62,343	51,419,589	3,866,583		8.12
Allianz UK	14,699,274	4,050,642	18,761,628	11,712	100,093	0.94
Investec UK	12,771,420	3,818,877	16,106,761	-483,536	222,809	-1.55
Wellington UK	14,953,757	850,989	15,841,068	36,322	117,651	1.04
Overseas Equities	712,410,421	-2,447,402	709,104,154	-858,865	3,556,408	0.38
North America	427,285,723	-967,285	423,603,479	-2,714,959	1,878,199	-0.19
Allianz North America	174,517,138	3,433,739	173,651,485	-4,299,392	732,925	-2.04
Investec North America	118,847,242	-1,969,401	115,655,088	-1,222,753	545,485	-0.53
Wellington North America	133,921,343	-2,431,622	134,296,906	2,807,185	599,790	2.56
Europe ex UK	111,294,306	1,434,666	112,415,004	-313,968	1,255,761	0.75
Allianz Europe Ex UK	44,342,404	-4,117,237	41,594,172	1,369,005	256,511	3.62
Investec Europe Ex UK	35,875,602	1,283,308	37,742,144	583,234	437,888	2.61
Wellington Europe Ex UK	31,076,299	4,268,595	33,078,688	-2,266,206	561,362	-5.53
Japan	50,417,180	-3,497,696	46,970,457	50,973	79,064	0.28
Allianz Japan	23,761,029	-1,386,213	22,535,124	160,308	24,518	0.77
Investec Japan	11,230,003	-1,095,259	9,808,950	-325,794	41,079	-2.46
Wellington Japan	15,426,148	-1,016,224	14,626,383	216,459	13,466	1.59
Pacific ex Japan	27,414,436	2,076,511	29,175,404	-315,543	294,338	-0.05
Allianz Pacific ex Japan	9,079,699	2,326,665	10,752,050	-654,314	57,050	-6.58
Investec Pacific ex Japan	8,400,507	88,187	9,232,849	744,155	160,247	10.75
Wellington Pacific ex Japan	9,934,229	-338,341	9,190,505	-405,383	77,041	-3.25
Emerging Markets	95,998,776	-1,493,598	96,939,811	2,434,633	49,046	2.59
JP Morgan Global Emerging Markets	91,231,982		93,288,551	2,056,569		2.25
Allianz Emerging Markets	2,826,455	-1,534,162	1,666,773	374,480	18,715	15.02
Investec Emerging Markets	972,036		1,083,578	111,542		11.48
Wellington Emerging Markets	968,302	40,563	900,908	-107,957	30,331	-8.11
Total Bonds	313,504,335	228,016	317,069,715	3,337,364	158,451	1.11
Royal London Bonds	313,504,335	228,016	317,069,715	3,337,364	158,451	1.11
Total Property	241,070,984	132,720	246,392,868	5,189,164	2,747,029	3.29

Gain/Loss Analysis

Category	Initial Market Value	Net Investment	Final Market Value	Capital Gain/Loss	Income	% Return
ING Property	241,070,984	132,720	246,392,868	5,189,164	2,747,029	3.29
Total Cash	38,413,790	26,848,857	64,068,615	-1,194,032	23,844	-3.03
Total Hedge Funds	421,575	-419,038		-2,537		0.72
Gottex Hedge Fund	421,575	-419,038		-2,537		0.72
Private Equity	77,003,052	-1,833,909	75,063,417	-105,726		-0.16
HarbourVest	42,903,283	-1,286,317	43,022,541	1,405,575		3.26
Standard Life Private Equity	34,099,769	-547,592	32,040,876	-1,511,301		-4.45
Diversified Growth Fund	119,069,465		121,627,738	2,558,273		2.15
Baring Dynamic Asset Allocation Fund	119,069,465		121,627,738	2,558,273		2.15
Infrastructure	98,042,624	3,823,796	102,746,199	879,779	86,720	0.91
Hermes	36,711,036	-2,283,531	34,728,873	301,368		0.88
IFM	61,331,587	6,107,327	68,017,325	578,411	86,720	0.89
Total Currency Hedging	0	5,697,848	0	-5,697,848		0.00
Total Matching Assets	**399,788,531**	**-20,000,000**	**372,549,833**	**-7,238,698**		**-2.12**
Insight Liability Fund	399,788,531	-20,000,000	372,549,833	-7,238,698		-2.12

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
TOTAL ASSETS	**100.00**	**100.00**	**100.00**	**100.00**	**0.41**	**1.64**	**0.65**	**0.96**
Total Return Seeking Assets	**85.39**	**88.00**	**86.51**	**88.00**	**0.79**	**2.11**	**1.07**	**1.34**
Total Assets ex Hedging	85.39	88.00	86.51	88.00	1.03	2.11	1.31	1.34
Total Equities	52.96	52.50	52.95	52.50	0.64	2.55	1.16	1.24
UK	26.93	27.50	27.27	27.50	1.92	1.44	1.92	1.44
Dorset UK Internally Managed	16.87	18.50	16.69	18.50	1.24	1.33	1.24	1.33
AXA Framlington UK Equity	6.77	3.75	6.88	3.75	2.45	1.42	2.45	1.42
Standard Life UK Equity Select Fund		3.75		3.75		1.42		1.42
Schroders UK Small Cap Equity	1.74	1.50	1.86	1.50	8.12	2.87	8.12	2.87
Allianz UK	0.54		0.68		0.94		0.94	
Investec UK	0.47		0.58		-1.55		-1.55	
Wellington UK	0.55		0.57		1.04		1.04	
Overseas Equities	26.03	25.00	25.68	25.00	-0.69	3.73	0.38	1.00
North America	15.61	14.00	15.34	14.00	3.72	2.92	-0.19	-0.83
Pictet North America		9.00		9.00		2.82		-0.87
Janus Intech US Equity		5.00		5.00		3.09		-0.76
Allianz North America	6.38		6.29		1.61		-2.04	
Investec North America	4.34		4.19		3.88		-0.53	
Wellington North America	4.89		4.86		6.38		2.56	
Europe ex UK	4.07	5.00	4.07	5.00	-22.69	2.66	0.75	4.85
Pictet Europe ex UK		5.00		5.00		2.66		4.85
Allianz Europe Ex UK	1.62		1.51		1.32		3.62	
Investec Europe Ex UK	1.31		1.37		2.61		2.61	
Wellington Europe Ex UK	1.14		1.20		-86.19		-5.53	
Japan	1.84	2.00	1.70	2.00	3.86	6.10	0.28	1.30
Pictet Japan Equity		2.00		2.00		6.10		1.30
Allianz Japan	0.87		0.82		5.40		0.77	
Investec Japan	0.41		0.36		-2.46		-2.46	
Wellington Japan	0.56		0.53		6.28		1.59	
Pacific ex Japan	1.00	1.00	1.06	1.00	2.29	6.89	-0.05	2.62
Pictet Pacific ex Japan		1.00		1.00		6.89		2.62
Allianz Pacific ex Japan	0.33		0.39		-3.33		-6.58	
Investec Pacific ex Japan	0.31		0.33		10.75		10.75	
Wellington Pacific ex Japan	0.36		0.33		-0.07		-3.25	
Emerging Markets	3.51	3.00	3.51	3.00	2.57	6.68	2.59	2.41
JP Morgan Global Emerging Markets	3.33	3.00	3.38	3.00	2.25	6.68	2.25	2.41

Asset Allocation

Category	Initial Market %		Final Market %		Local Currency % Return		Base Currency % Return	
	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark	Portfolio	Benchmark
Allianz Emerging Markets	0.10		0.06		14.20		15.02	
Investec Emerging Markets	0.04		0.04		11.48		11.48	
Wellington Emerging Markets	0.04		0.03		-8.18		-8.11	
Total Bonds	11.45	12.50	11.48	12.50	1.11	0.59	1.11	0.59
Royal London Bonds	11.45	12.50	11.48	12.50	1.11	0.59	1.11	0.59
Total Property	8.81	10.00	8.92	10.00	3.29	2.35	3.29	2.35
ING Property	8.81	10.00	8.92	10.00	3.29	2.35	3.29	2.35
Total Cash	1.40		2.32		-3.03		-3.03	
Total Hedge Funds	0.02	0.00		0.00	0.72	1.56	0.72	1.56
Gottex Hedge Fund	0.02	0.00		0.00	0.72	1.31	0.72	1.31
Pioneer Hedge Fund						1.57		1.57
IAM (Hedged)		0.00		0.00		1.80		1.80
IAM Hedge Fund		0.00		0.00		1.80		1.80
Private Equity	2.81	4.00	2.72	4.00	1.31	1.42	-0.16	1.42
HarbourVest	1.57	2.00	1.56	2.00	5.91	1.42	3.26	1.42
Standard Life Private Equity	1.25	2.00	1.16	2.00	-4.45	1.42	-4.45	1.42
Diversified Growth Fund	4.35	5.00	4.40	5.00	2.15	1.06	2.15	1.06
Baring Dynamic Asset Allocation Fund	4.35	5.00	4.40	5.00	2.15	1.06	2.15	1.06
Infrastructure	3.58	4.00	3.72	4.00	0.91	2.41	0.91	2.41
Hermes	1.34	2.00	1.26	2.00	0.88	2.41	0.88	2.41
IFM	2.24	2.00	2.46	2.00	0.89	2.41	0.89	2.41
Total Currency Hedging	0.00		0.00					
Total Matching Assets	**14.61**	**12.00**	**13.49**	**12.00**	**-2.12**	**-2.04**	**-2.12**	**-2.04**
Insight Liability Fund	14.61	12.00	13.49	12.00	-2.12	-2.04	-2.12	-2.04

All periods > 1 year have been annualised.

Relative Attribution

Category	Currency Contribution	Market Contribution	Selection Contribution	Total Contribution
TOTAL ASSETS	**0.90**	**-1.32**	**0.12**	**-0.31**
Total Return Seeking Assets	**0.88**	**-1.24**	**0.13**	**-0.24**
Total Assets ex Hedging	0.88	-1.04	0.13	-0.03
Total Equities	0.94	-0.98	-0.00	-0.05
UK	-0.00	-0.02	0.14	0.11
Dorset UK Internally Managed	-0.01	-0.00	-0.01	-0.03
AXA Framlington UK Equity	0.02	-0.00	0.06	0.08
Standard Life UK Equity Select Fund	-0.02	0.01		-0.02
Schroders UK Small Cap Equity	0.00	0.00	0.09	0.10
Allianz UK	0.00	-0.00		-0.00
Investec UK	0.00	-0.02		-0.01
Wellington UK	0.00	-0.00		0.00
Overseas Equities	0.95	-0.96	-0.14	-0.17
North America	-0.07	0.14		0.07
Pictet North America	0.27	-0.11		0.16
Janus Intech US Equity	0.16	-0.07		0.08
Allianz North America	-0.19	-0.00		-0.19
Investec North America	-0.16	0.09		-0.06
Wellington North America	-0.15	0.22		0.08
Europe ex UK	0.84	-1.04		-0.20
Pictet Europe ex UK	-0.14	-0.05		-0.19
Allianz Europe Ex UK	0.05	-0.00		0.04
Investec Europe Ex UK	0.01	0.01		0.02
Wellington Europe Ex UK	0.93	-0.99		-0.07
Japan	0.03	-0.05		-0.02
Pictet Japan Equity	0.08	-0.09		-0.01
Allianz Japan	-0.03	0.03		-0.00
Investec Japan	0.00	-0.02		-0.01
Wellington Japan	-0.02	0.02		0.00
Pacific ex Japan	0.02	-0.05		-0.03
Pictet Pacific ex Japan	0.03	-0.05		-0.02
Allianz Pacific ex Japan	-0.01	-0.02		-0.02
Investec Pacific ex Japan	0.00	0.03		0.03
Wellington Pacific ex Japan	-0.01	-0.01		-0.02
Emerging Markets	0.13	0.03	-0.14	0.01
JP Morgan Global Emerging Markets	0.13	0.02	-0.14	-0.00

Relative Attribution

Category	Currency Contribution	Market Contribution	Selection Contribution	Total Contribution
Allianz Emerging Markets	0.00	0.01		0.01
Investec Emerging Markets	0.00	0.00		0.00
Wellington Emerging Markets	0.00	-0.00		-0.00
Total Bonds	-0.01	0.01	0.06	0.06
Royal London Bonds	-0.01	0.01	0.06	0.06
Total Property	-0.01	-0.01	0.09	0.07
ING Property	-0.01	-0.01	0.09	0.07
Total Cash	0.01	-0.06		-0.05
Total Hedge Funds	0.00	-0.00	-0.00	-0.00
Gottex Hedge Fund	0.00	-0.00	-0.00	-0.00
IAM (Hedged)	-0.00	-0.00		-0.00
IAM Hedge Fund	-0.00	-0.00		-0.00
Private Equity	-0.05	0.00	-0.01	-0.05
HarbourVest	-0.04	0.00	0.07	0.03
Standard Life Private Equity	-0.00	0.00	-0.07	-0.08
Diversified Growth Fund	-0.00	0.00	0.05	0.05
Baring Dynamic Asset Allocation Fund	-0.00	0.00	0.05	0.05
Infrastructure	-0.00	-0.00	-0.05	-0.06
Hermes	-0.00	-0.01	-0.02	-0.03
IFM	0.00	0.00	-0.03	-0.03
Total Currency Hedging	-0.00	-0.21		-0.21
Total Matching Assets	**0.02**	**-0.08**	**-0.01**	**-0.07**
Insight Liability Fund	0.02	-0.08	-0.01	-0.07

All periods > 1 year have been annualised.

Rimes Technologies Limited/Thomson Financial Datastream/FTSE International/MSCI/JP Morgan/HFR

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Source: RIMES Technologies Limited

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Hedge Fund Research
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KPMG

External audit report 2016/17

Dorset County Pension Fund

–

September 2017

Summary for Pension Fund Committee

Financial statements

This document summarises the key findings in relation to our 2016-17 external audit at Dorset County Pension Fund ('the Pension Fund').

This report focuses on our on-site work which was completed in June 2017 on the Pension Fund's significant risk areas, as well as other areas of your financial statements. Our findings are summarised on pages 4 – 9.

We issued an unqualified audit opinion in relation to the Pension Fund's financial statements on 24 July 2017.

There was one audit adjustment identified as a result of our audit work related to disclosure between UK and Overseas equities. This is detailed in Appendix 2.

Based on our work, we have raised one recommendation. Details of our recommendations can be found in Appendix 1.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

We ask the Pension Fund Committee to note this report.

The key contacts in relation to our audit are:

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12 Two: Materiality and reporting of audit differences

13 Three Declaration of independence and objectivity

15 Four: Audit fees

This report is addressed to Dorset County Council (the Authority) and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. Public Sector Audit Appointments issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

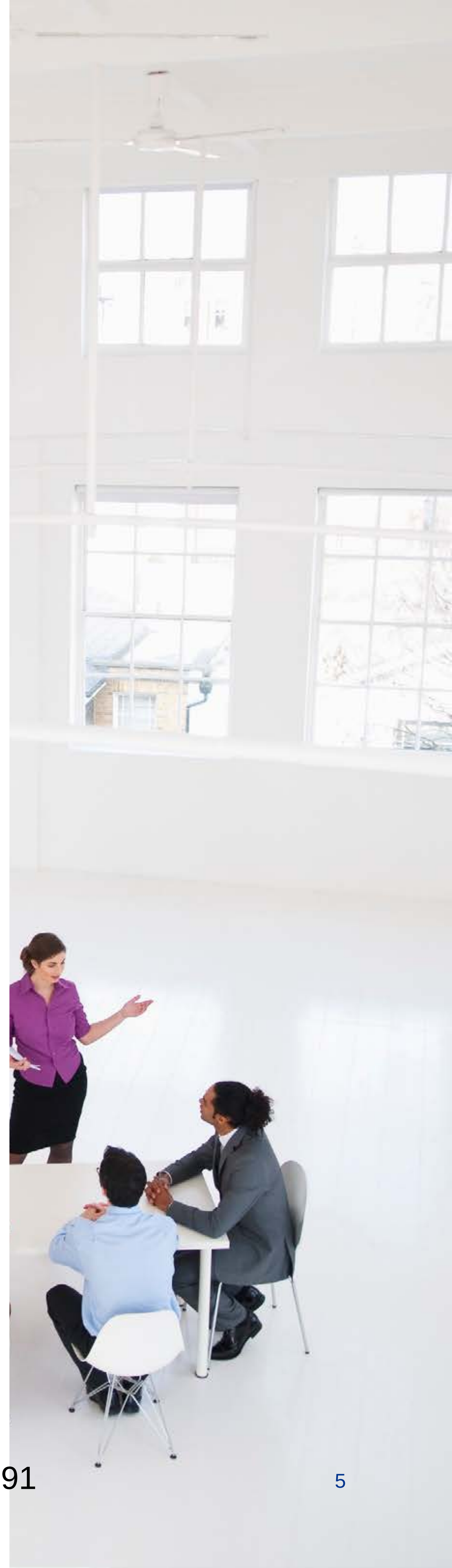
We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Darren Gilbert, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (on 0207 694 8981, or by email to andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3H.

Section one

Financial Statements

We issued an unqualified audit opinion on the Pension Fund financial statements on 24 July 2017.

We have reviewed the Pension Fund Annual Report. The financial and non-financial information it contains is not inconsistent with the financial information contained in the audited financial statements.



Considerations required by professional standards

Fraud risk of revenue recognition

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk.

In our *External Audit Plan 2016/17* we reported that we do not consider this to be a significant risk for Local Authorities as there is unlikely to be an incentive to fraudulently recognise revenue.

This is still the case. Since we have rebutted this presumed risk, there has been no impact on our audit work.

Management override of controls

Professional standards require us to communicate the fraud risk from management override of controls as significant because management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to this audit.

In line with our methodology, we carried out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.

There are no matters arising from this work that we need to bring to your attention.

The Pension Fund

We issued an unqualified audit opinion on the Fund's 2016/17 financial statements following approval of the financial statements by the Audit and Governance Committee on 24 July 2017.

Pension fund audit

For the audit of the Fund we used a materiality level of £30 million. Audit differences below £1.5 million are not considered significant.

Our audit of the Fund also did not identify any material misstatements. We did identify one classification adjustment required, which is detailed in Appendix 2.

We also identified a small number of presentational and disclosure amendments required to ensure that the accounts are compliant with the Code. The Fund has addressed these where significant.

As a result of our work we have raised one recommendation in relation to notification of deferred members as outlined in more detail in Appendix 1.

Annual report

We have reviewed the Pension Fund Annual Report and identified some minor amendments required. We confirm that:

— The financial and non-financial information it contains is not inconsistent with the financial information contained in the audited financial statements.

The statutory deadline for publishing the document is 1 December 2017.

Accounts production and audit process

Our audit standards (*ISA 260*) require us to communicate our views on the significant qualitative aspects of the Authority's accounting practices and financial reporting.

We also assessed the Authority's process for preparing the accounts and its support for an efficient audit. The efficient production of the financial statements and good quality working papers are critical to meeting the tighter deadlines.

Accounting practices and financial reporting

The Authority has recognised the additional pressures which the earlier closedown in 2017/18 will bring. We have been engaging with the Authority in the period leading up to the year end in order to proactively address issues as they emerge.

The Authority has strengthened its financial reporting by finalising the accounts in a shorter timescale. This puts the Authority in a good position to meet the new 2017/18 deadline.

We consider the Authority's accounting practices to be appropriate.

Completeness of draft accounts

We received a complete set of draft accounts on 18 May 2017, which is in line with our expectations for this year's audit.

Quality of supporting working papers

We issued our *Accounts Audit Protocol 2016/17* ("Prepared by Client" request) in May 2017 which outlines our documentation request. This helps the Fund to provide audit evidence in line with our expectations. We also discussed specific requirements of the document request list with Management.

We worked with management to ensure that working paper requirements are understood and aligned to our expectations. We are pleased to report that this has resulted in good quality working papers with clear audit trails.

Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's 2016/17 financial statements.

Before we issued our opinion we received a signed management representation letter.

Now we have finalised our opinions and conclusions we will prepare our Annual Audit Letter and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Dorset County Council and Dorset County Pension Fund for the year ending 31 March 2017, we confirm that there were no relationships between KPMG LLP and Dorset County Council and Dorset County Pension Fund, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 3 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We provided a template to the Finance Manager for presentation to the Audit and Governance Committee and received a signed copy of your management representations before we issued our audit opinion.

Other matters

ISA 260 requires us to communicate to you by exception 'audit matters of governance interest that arise from the audit of the financial statements' which include:

- Significant difficulties encountered during the audit;
- Significant matters arising from the audit that were discussed, or subject to correspondence with management;
- Other matters, if arising from the audit that, in the auditor's professional judgment, are significant to the oversight of the financial reporting process; and
- Matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. significant deficiencies in internal control; issues relating to fraud, compliance with laws and regulations, subsequent events, non disclosure, related party, public interest reporting, questions/objections, opening balances etc.).

There are no others matters which we wish to draw to your attention in addition to those highlighted in this report or our previous reports relating to the audit of the Fund's 2016/17 financial statements.

Appendices

Key issues and recommendations

Our audit work on the Fund's 2016/17 financial statements identified one issue. We have listed this issue in this appendix together with our recommendation which we have agreed with Management. We have also included Management's responses to this recommendation.

The Authority should closely monitor progress in addressing the risk, including the implementation of our recommendations. We will formally follow up on this recommendation next year.

Each issue and recommendation have been given a priority rating, which is explained below.

High priority — Issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.

Medium priority — Issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.

Low priority — Issues that would, if corrected, improve internal control in general but are not vital to the overall system. These are generally issues of good practice that we feel would benefit if introduced.

The following is a summary of the issues and recommendations raised in the year 2016/17.

2016/17 recommendations summary	
Priority	**Total raised for 2016/17**
High	-
Medium	-
Low	1
Total	1

Low priority

1. Notification of deferred members

When testing controls over the membership data in Altair, we noted that the pension fund is reliant upon receiving the notice of termination in a timely manner from the payroll department of the admitted body. Our sample testing identified that a notice of termination form was not always received and so the system was not updated until the pensions team carried out the year end check, to ensure that all deferred members have been removed from their system.

Recommendation

We understand that the pension fund will be moving to a new process whereby contributions received on a monthly basis will be identified by individual. We recommend that the pension fund specifically request that admitted bodies flag any changes in membership as part of this process to ensure that new starters and leavers are identified on a timely basis.

Management Response

Accepted. We will review membership numbers on a more frequent basis throughout the year.

Owner

Karen Gibson

Deadline

31 March 2018

Appendix 2

Materiality and reporting of audit differences

The assessment of what is material is a matter of professional judgment and includes consideration of three aspects: materiality by value, nature and context.

Material errors by value are those which are simply of significant numerical size to distort the reader's perception of the financial statements. Our assessment of the threshold for this depends upon the size of key figures in the financial statements, as well as other factors such as the level of public interest in the financial statements.

Errors which are material by nature may not be large in value, but may concern accounting disclosures of key importance and sensitivity, for example the salaries of senior staff.

Errors that are material by context are those that would alter key figures in the financial statements from one result to another – for example, errors that change successful performance against a target to failure.

We used the same planning materiality reported in our External Audit Plan 2016/17, presented to the Audit and Governance Committee in March 2017.

Materiality for the Pension Fund was set at £30 million which is approximately 1.1 percent of gross assets.

Reporting to the Audit and Governance Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Governance Committee any misstatements of lesser amounts to the extent that these are identified by our audit work.

Under *ISA 260*, we are obliged to report omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. *ISA 260* defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

ISA 450 requires us to request that uncorrected misstatements are corrected.

In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £1.5 million for the Pension Fund.

Where management have corrected material misstatements identified during the course of the audit, we consider whether those corrections should be communicated to the Audit and Governance Committee to assist it in fulfilling its governance responsibilities.

Adjusted audit differences

The following table sets out the significant audit differences identified by our audit of the Pension Fund's financial statements for the year ended 31 March 2017.

Table 1: Adjusted audit differences (£'000)

No.	Fund account: Dealings with members	Fund account: Returns on investments	Net assets statement: Investment assets	Net assets statement: Net current assets	Basis of audit difference
1	-	-	Dr UK equities (quoted) £42,700 Cr Overseas equities (quoted) (£42,700)	-	£42.7m of UK equities was incorrectly classified within the Overseas Equities balance. This has now been corrected in the Net Assets Statement and Note 11 to be classified within UK investments.
	-	-	**£0**	-	**Total impact of uncorrected audit differences**

There were no significant unadjusted audit differences.

Appendix 3

Declaration of independence and objectivity

Auditors appointed by Public Sector Audit Appointments Ltd must comply with the Code of Audit Practice (the 'Code') which states that:

> *"The auditor should carry out their work with integrity, objectivity and independence, and in accordance with the ethical framework applicable to auditors, including the ethical standards for auditors set by the Financial Reporting Council, and any additional requirements set out by the auditor's recognised supervisory body, or any other body charged with oversight of the auditor's independence. The auditor should be, and should be seen to be, impartial and independent. Accordingly, the auditor should not carry out any other work for an audited body if that work would impair their independence in carrying out any of their statutory duties, or might reasonably be perceived as doing so."*

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Public Sector Audit Appointments Ltd Terms of Appointment ('Public Sector Audit Appointments Ltd Guidance') and the requirements of APB Ethical Standard 1 Integrity, Objectivity and Independence ('Ethical Standards').

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Public Sector Audit Appointments Ltd guidance requires appointed auditors to follow the provisions of *ISA (UK&I) 260 'Communication of Audit Matters with Those Charged with Governance'* that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

— Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.

— The related safeguards that are in place.

— The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed. We do this in our Annual Audit Letter.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Audit and Governance Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Engagement Lead and the audit team.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP Audit Partners and staff annually confirm their compliance with our Ethics and Independence Manual including in particular that they have no prohibited shareholdings.

Our Ethics and Independence Manual is fully consistent with the requirements of the Ethical Standards issued by the UK Auditing Practices Board. As a result we have underlying safeguards in place to maintain independence through: Instilling professional values, Communications, Internal accountability, Risk management and Independent reviews.

We would be happy to discuss any of these aspects of our procedures in more detail.

Auditor declaration

In relation to the audit of the financial statements of Dorset County Pension Fund for the financial year ending 31 March 2017, we confirm that there were no relationships between KPMG LLP and Dorset County Pension Fund, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Public Sector Audit Appointments Ltd requirements in relation to independence and objectivity.

Non-audit work and independence

Below we have listed the non-audit work performed and set out how we have considered and mitigated (where necessary) potential threats to our independence.

Independence breach

In March 2008 and March 2010, the KPMG EU Funds Tax team entered into an agreement to provide tax services relating to the recovery of tax credits on foreign income dividends and overseas dividends and recovery of withholding tax on manufactured overseas dividends respectively to Dorset County Pension Fund. These engagements were on a contingent fee basis and at that time contingent fees on such services for audit clients were permitted.

In late 2010 the UK APB Ethical Standards for Non-Audit Services were revised, significantly restricting the ability for audit firms to deliver tax services to their UK audit clients on a contingent fee basis where the uncertainty surrounding the claim related to tax law which was uncertain or had not been established. Grandfathering provisions allowed existing contingent fee engagements entered into before 31 December 2010 with existing UK audit clients to continue unaffected until 31 December 2014. By that point in time the regulator (the APB) expected the services to be delivered and the fees settled.

From 1 January 2015 the services would not have been permissible under Para 95 of the APB's Ethical Standard which prohibited contingent fee based tax engagements where the tax matter was uncertain or unestablished. This prohibition remains under the current FRC Revised Ethical Standard although the wording differs slightly.

Given the timeframe this matter has been under discussion with HM Revenue & Customs ('HMRC'), we consider that this factor alone would, to a third party, be indicative of a tax matter which was contentious in nature and would be likely to be viewed as 'uncertain or unestablished' and we have treated this as such. Consequently, the contingent fee arrangements for recovery of tax credits on foreign income dividends and overseas dividends and recovery of withholding tax on manufactured overseas dividends are not permissible for audit clients and as a result the continuation of this contingent fee arrangement is a breach of our firm's independence. In late 2014 we should have identified this service and either brought the engagement to a close or replaced the fee arrangement with an alternative time and materials fee basis to ensure compliance with the UK Ethical Standards by 1 January 2015.

We note that since September 2010 there had been no advice provided by KPMG as Pinsent Masons have been pursuing these claims through the Courts under a direct engagement. No further fees have been raised for the work since the initial work was completed in 2008 and 2010 (and the corresponding fees were raised in September 2008 and 2010 respectively).

We have considered the facts and do not believe the breach to be significant in terms of our overall consideration of independence and objectivity as your auditor. The factors we have taken into account include:

- The audit team were not aware of the existence of the service until April 2017 and as a result this would not have impaired their objectivity for the audit periods up to 31 March 2016.
- No fees in relation to this tax engagement have been billed to Dorset County Pension Fund since the change (effective from 1 January 2015) to UK APB Ethical Standards for Non-Audit Services were revised significantly restricting the ability for audit firms to deliver tax services to their UK audit clients on a contingent fee basis.
- The amount of the tax repayments under dispute the level of fees would not be material to either party.
- At no point would the outcome of the tax matters under dispute have been material to the financial statements. In addition as the matter is still unsettled the potential tax repayment has not been recognised in the accounts of the pension fund.

Based on the above, in our professional judgement, we have concluded that our objectivity as auditor has not been compromised and the firm and the engagement team maintained their independence of Dorset County Pension Fund. Finally, we can confirm that we have now terminated these engagements with immediate effect. We have also formally notified Public Sector Audit Appointments Limited of this matter.

Appendix 4

Audit fees

Audit fees

As communicated to you in our External Audit Plan 2016/17, our scale fee for the audit of the pension fund is £25,146 plus VAT *(£25,146 in 2016/17)*.

PSAA fee table		
Component of audit	**2016/17** *(planned fee)* £	**2015/16** *(actual fee)* £
Accounts opinion and use of resources work		
Pension Fund audit	25,146	25,146
Additional fee in relation to work on behalf of admitted body auditors*	2,227	2,227
Total fee for the Authority set by the PSAA	**27,373**	**27,373**

All fees are quoted exclusive of VAT.

*As in previous years, we have been requested to carry out additional work on the Pension Fund by the auditors of Dorset Fire Authority, the Crime Commissioner for Dorset and Chief Constable of Dorset Police, Bournemouth Borough Council, Borough of Poole, Christchurch Borough Council, East Dorset District Council, North Dorset District Council and Purbeck District Council. The Pension Fund is able to recharge these costs back to the admitted bodies. Our fee for this additional work is £2,227 and has been approved by Public Sector Audit Appointments Ltd.

Dorset County Pension Fund

Annual Report 2016/17

Dorset County Council

Dorset County Pension Fund
Administered by Dorset County Council

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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 John Beesley (Chairman)

Representing Borough of Poole:

Mrs May Haines

Representing Dorset County Council:

Mr Andy Canning
Mr Tony Ferrari
Mr Spencer Flower
Mr Colin Jamieson
Mr Peter Wharf (Vice Chairman)

Representing the Dorset District Councils:

Capt John Lofts

Scheme Member Representative:

Mr Johnny Stephens

Independent Adviser:

Mr Alan 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/
Borough of Poole
Mr Adam Richens

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

Dorset Police Representative

Mr John Jones

Scheme Member Representative

Mr James Stevens

Dorset Councils

Mr Jason Vaughan

Actuary

Barnett Waddingham LLP

Auditors

KPMG LLP

Bankers

National Westminster 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

Fund Administrator
Mr Richard Bates

Chief Treasury and Pensions Manager
Mr Nick Buckland (to August 2016)

Interim Chief Treasury and
Pensions Manager
Mr Tom Wilkinson (from August 2016)

Treasury and Pensions Finance Manager
Mr David Wilkes

Pension Fund Accountant
Miss Charlotte Peach

Pensions Benefits Manager
Mrs Anne Weldon

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

Chairman's Statement

Pension Fund Committee
Back row (Left to right): Peter Wharf, Tom Wilkinson, Spencer Flower, Andy Canning, Tony Ferrari.
Front row (Left to right): Johnny Stephens, Alan Saunders, John Beesley, Richard Bates, John Lofts.

For the Local Government Pension Scheme (LGPS) nationally it has again been a year dominated by the Government's requirement for funds to pool investments, in order to help reduce costs, whilst maintaining overall investment returns. As I referred to in my statement last year, the Dorset County Pension Fund has joined with nine other funds in the South West to form the Brunel Pension Partnership (BPP), one of eight such proposed pools across England and Wales. As at 31 March 2017, the combined investments of the ten BPP funds stood at just over £27 billion, with Dorset's assets accounting for approximately 10% of that total.

These are the largest and most significant changes ever made to the management arrangements of the LGPS. I have been pleased to take an active part in the formation of BPP, initially as one of two Vice-Chairmen and latterly, as Chairmen of the Shadow Oversight Board. A huge amount of work has been completed to date and yet much more is still needed if we are to implement the changes successfully by the Government's target date of 1 April 2018. I am confident however that we will succeed, particularly given the quality and ability of the BPP team.

At a more local level, the value of the Dorset Fund's assets was £2.7 billion as at 31 March 2017, an increase of nearly £0.5 billion over the year. The annual return of the Fund at 23.6% was ahead of the benchmark performance of 23.3% by 0.3%. Over the longer term, the Fund returned 11.5% (annualised) over the three years to 31 March 2017, ahead of the benchmark return of 11.0%, and 11.8% against the benchmark of 11.1% over the five years to the end of March 2017.

Much of this very strong performance in 2016/17 can be attributed to the impact of the depreciation in sterling following the result of the referendum on EU membership, and we have no doubt that markets will witness more volatility as Brexit negotiations continue. However, I am sure that the Fund’s investment strategy is well positioned to cope with the inevitably bumpy ride that lies ahead, but I know that we need to ensure we remain flexible in our approach to continue to be successful. Importantly, we will be reviewing the Fund’s investment and asset allocation strategy during the remainder of 2017-18.

In 2016-17 we received the results of the latest triennial valuation of the Fund’s assets and liabilities from our actuaries, Barnett Waddingham. This estimated that at 31 March 2016 the Fund had assets sufficient to cover 83% of its accrued liabilities, a small improvement from 82% at 31 March 2013, with the deficit recovery period reduced from 25 to 22 years. New contribution rates effective from 1 April 2017 were also agreed for all scheme employers, with the average employer contribution to meet the cost of future benefits rising from 13.3% to 15.6% of payroll.

I would like to welcome Councillors Tony Ferrari, Spencer Flower and Colin Jamieson as new representatives to the Pension Fund Committee from Dorset County Council, and I look forward to working with them in the future. On behalf of the Committee, my thanks go to outgoing County Council representatives, Councillors Mike Byatt, Ronald Coatsworth and Mike Lovell, for their hard work and support over the years. My thanks also go to Nick Buckland, Chief Treasury and Pensions Manager, who left Dorset County Council in August 2016, for his advice and guidance and his substantial contribution to the work of the Fund over his 25 years’ service with the Council.

Cllr John Beesley
Chairman, Dorset County Pension Fund

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:

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 (to April 2016), AXA Framlington and Schroders are the three External UK Equity Managers.

Standard Life and HarbourVest are the Private Equity Managers.

Baring Asset Management manage a 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.

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

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

Dorset County Council's Treasury and Pensions Team

Overall Performance

By the end of 2016/17 the value of the Fund's assets had risen by 470M to £2.736Bn. In 1974 when the Fund was established it was valued at £15M.

Diagram one shows the distribution of the investment assets with market value and percentage of the portfolio as at 31 March 2017.

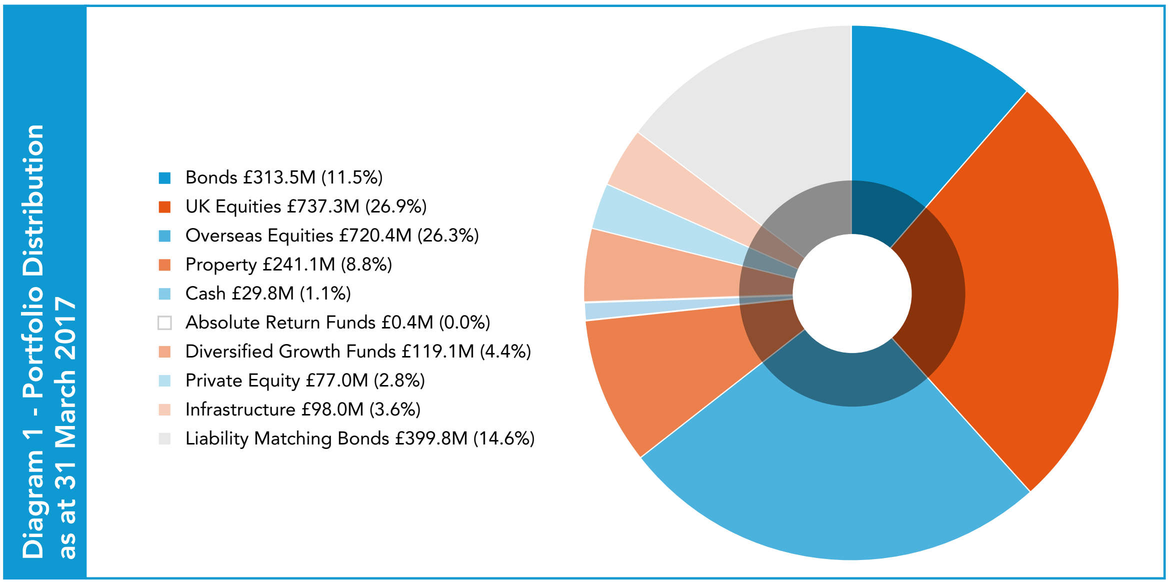
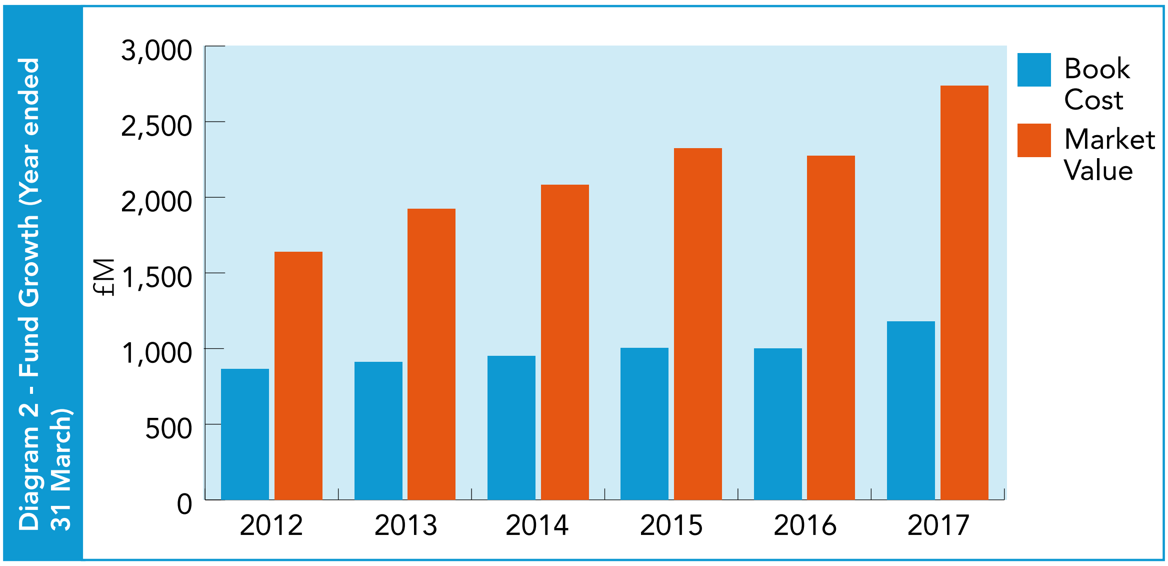


Diagram two shows the change in value of the Fund over the last six years as at 31 March and highlights the contribution made over time by the appreciation of assets (value less cost).



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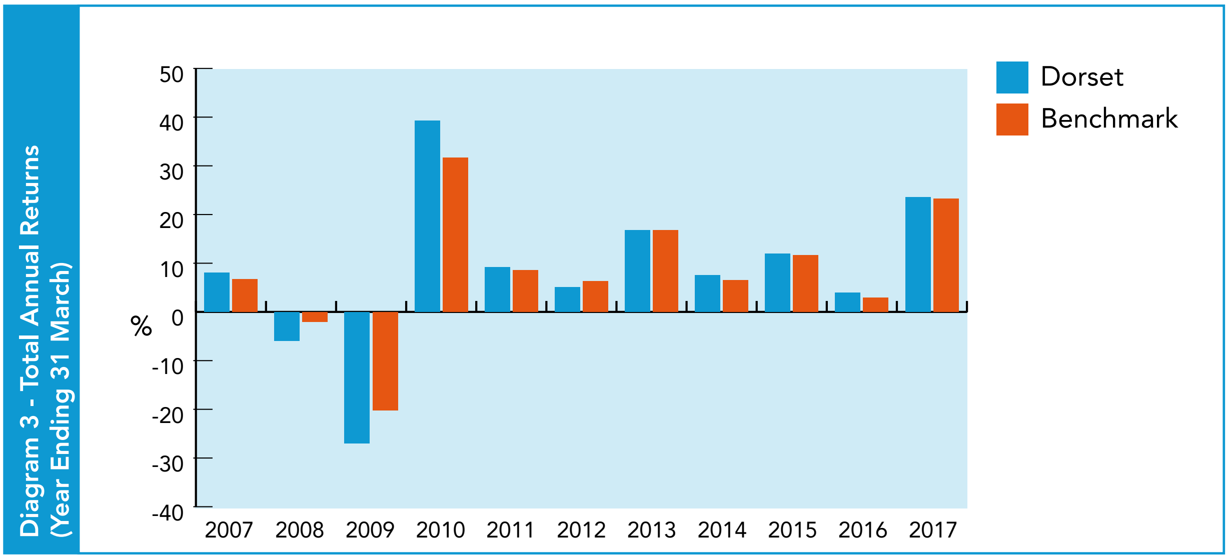


Diagram three shows the total return of the Fund compared with its benchmark for each of the last ten years as at 31 March. The benchmark was the WM Local Authority Average to 31 December 2003, and has been the Fund specific benchmark since then.

Rates of Return One Year Summary

During the year, the Fund outperformed its bespoke benchmark with a return of 23.6% compared to a benchmark of 23.3%. Positives to performance have been attributable to mainly four managers. Infrastructure manager, IFM returned 23.2% against a benchmark of 10.0%, whilst Baring Asset Management outperformed its benchmark by 6.2%. JP Morgan and Schroders outperformed their benchmarks by 4.8% and 4.2% respectively.

The main detractors to performance were the external UK Equity manager AXA Framlington, who underperformed their benchmark by 12.2% and the Private Equity manager, Standard Life who underperformed their benchmark by 8.8%.

Rate of Return Three Year Summary

Over the three year period, the Fund returned 11.5% against its bespoke benchmark of 11.0%. Positives to performance included HarbourVest and Standard Life, the Private Equity managers, who outperformed their benchmarks by 14.6% and 4.3% respectively. UK Equities manager Schroders outperformed their benchmark by 4.5%.

The main detractor to performance were AXA Framlington who underperformed their benchmark by 2.8%.

Rate of Return Five Year Summary

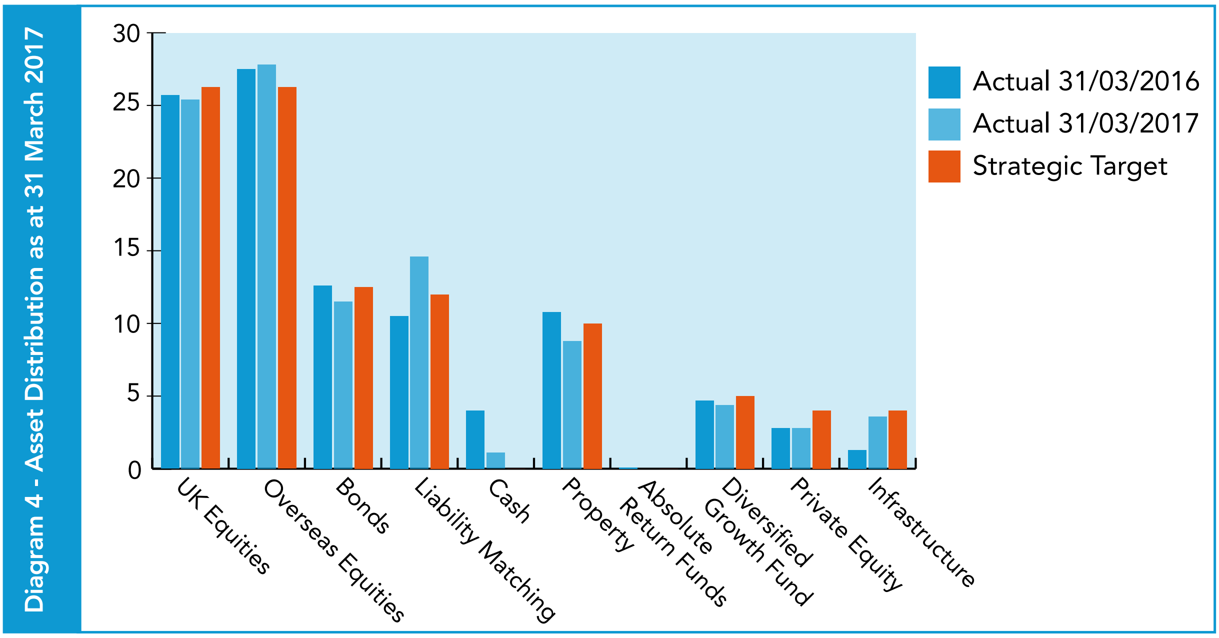
During the five year period, the Fund has outperformed its bespoke benchmark with a return of 11.8% compared to 11.1%. Positives to performance were HarbourVest who outperformed its benchmark by 9.3%, whilst Standard Life Private Equity outperformed its benchmark by 3.5%. Schroders and rlam both outperformed their benchmark by 1.2%.

The main detractor to performance were AXA Framlington who underperformed their benchmark by 0.6%.

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	
	%	%	%	%	%	%
UK Equities						
Internally Managed	22.3	21.9	7.7	7.6	9.6	9.5
AXA Framlington	9.8	22.0	4.9	7.7	9.1	9.7
Schroders	23.9	19.7	13.2	8.7	18.0	16.8
Overseas Equities						
Allianz	29.6	31.9	N/A	N/A	N/A	N/A
Investec	30.0	31.9	N/A	N/A	N/A	N/A
Wellington	33.2	31.9	N/A	N/A	N/A	N/A
Emerging Markets						
JP Morgan	40.0	35.2	12.8	11.4	6.3	5.9
Bonds						
rlam	12.8	11.7	9.6	9.3	10.6	9.4
Absolute Return Funds						
Gottex (1)	14.1	5.5	12.8	5.6	10.0	5.6
Private Equity						
HarbourVest	21.1	22.0	22.3	7.7	19.0	9.7
Standard Life	13.2	22.0	12.0	7.7	13.2	9.7
Property						
CBRE Global Investors	4.6	4.6	11.8	10.9	10.9	9.8
Diversified Growth Fund						
Barings	10.7	4.5	5.1	4.6	4.9	4.6
Inflation Hedging Bonds						
Insight	45.7	45.7	9.5	9.5	N/A	N/A
Infrastructure						
Hermes Fund	9.1	10.0	N/A	N/A	N/A	N/A
IFM Fund	23.2	10.0	N/A	N/A	N/A	N/A
Total Assets	23.6	23.3	11.5	11.0	11.8	11.1
1 Divesting from the Fund						

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



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

Table Two - below summarises the Fund Portfolio Distribution

		31-Mar-16		31-Mar-17		Target Allocation	
Asset Class	Manager	£M	%	£M	%	£M	%
Bonds	rlam	286.1	12.5	313.5	11.4	342.2	12.50
UK Equities	Several	584.2	25.7	694.7	25.4	718.4	26.25
Overseas Equities	Several	625.6	27.5	763.0	27.9	718.4	26.25
Property	CBRE	246.3	10.8	241.1	8.8	273.7	10.00
Absolute Return Funds	Several	1.8	0.1	0.4	0.0	-	0.00
Infrastructure	Several	29.0	1.3	98.0	3.6	109.5	4.00
Private Equity	Several	65.4	2.9	77.0	2.8	109.5	4.00
Diversified Growth	Barings	107.6	4.7	119.1	4.4	136.8	5.00
Cash	Internal	91.8	4.0	30.3	1.1	-	0.00
Liability Matching Assets	Insight	238.0	10.5	399.8	14.6	328.4	12.00
Total Asset Valuation		**2,275.8**	**100.0**	**2,736.9**	**100.0**	**2,736.9**	**100.0**

Henbury and Ingersley Buildings, Hope Park, Victoria Road, Macclesfield valued at £6.3M

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 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 purchase of £25.5M in the UK Equities - Quoted
- The Property portfolio was decreased by £5.1M
- The Overseas equities portfolio was reduced by £40M
- Increase of Pooled Investment Vehicles of £82.7M
- Decrease in Cash of £62M
- Decrease in Private Equity of £2.2M

Table three – Net Investment Transaction 2016/17.		
	2015/16 £M	2016/17 £M
Cash	16.3	-62.0
Overseas Equities - Quoted	107.8	-40.0
UK Equities - Quoted	-3.3	25.5
Pooled Investment Vehicles	-93.7	82.7
Property	1.1	-5.1
Absolute Return (Hedge) Funds	-4.0	-0.1
Forward Foreign Exchange	4.2	32.1
Private Equity	-5.8	-2.2
Total	22.6	30.9

Table four shows the annual turnover of stocks (purchases added to sales) and shows the decreased volume in 2016/17 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
2016/17	950.8

Below are two photographs of properties owned by the Dorset County Pension Fund.

83 Clerkenwell Road, London EC1 valued at £17.65M

Crawley, Woolborough Lane Unit D valued at £19M

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. A valuation was undertaken as at 31 March 2016 that sets out the employers' contribution rate for the three year period commencing 1 April 2017.

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

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
Ad Astra Infant School (Teach Trust)	42	0
Alderholt Parish Council	2	0
Allenbourn Middle School	57	1
Ambitions Academies Trust	15	0
The Arts University College at Bournemouth	253	48
Avonbourne Academy	186	8
Avonbourne School	0	25
Baden-Powell and St Peter's CoE Junior School	65	0
Beaucroft Foundation School	0	12
Bere Regis Parish Council	1	0
Bethany CE VA Junior School	35	2
The Bishop Of Winchester Academy	69	7
The Blandford Education Trust	126	4
Blandford Forum Town Council	17	10
Skills & Learning BDP	50	23
Bournemouth And Poole College	406	350
Bournemouth School For Girls	0	13
Bournemouth School For Girls Academy	50	10
Borough of Poole	2,329	2,385
The Bourne Academy	58	6
Bournemouth Borough Council	2,427	3,350
Bournemouth Health	0	1
Bournemouth Airport	0	36
Bournemouth Motor Tax	0	3
Bournemouth Septenary Trust	5	0
Bournemouth School	0	18
Bournemouth School Academy	51	4
Bournemouth Transport	3	214
Bournemouth University	1,016	458
Bridport Town Council	13	7
Broadstone First Academy	4	2
Broadstone Middle Academy	2	0
Budmouth College	131	32
Canford Heath Infant School (Teach Trust)	42	1
Canford Heath Junior School (Teach Trust)	38	0
Carter Community School	47	4
Chickerell Primary Academy	47	3
Chickerell Town Council	2	0
Christchurch Borough Council	194	296
Colehill First School	26	3
Colehill Parish Council	2	2
Corfe Castle CE Primary School	14	0
Corfe Hills Academy	77	16
Corfe Hills School	0	31
Corfe Mullen Parish Council	6	0
Courthill Infant School	46	0
Diocese Of Salisbury Academy Trust	2	0
Dorchester Joint Burial Committee	0	1
Dorchester Middle School	56	5
Dorchester Town Council	31	26

Table five, continued

Employer - Scheduled Bodies	Number of Contributors	Number of Pensioners
Dorset and Wiltshire Fire Service	194	0
Dorset CC Former Motor Tax Staff	0	1
Dorset CC Health	0	3
Dorset County Council - Post Lgr 1/4/1997	7,952	5,306
Dorset County Council - Pre Lgr 1/4/97	0	2,849
Dorset Fire And Rescue Service	0	78
Dorset Magistrates Court	0	96
Dorset Police & Crime Comissioner	1,217	1
Dorset Police & Crime Comissioner	0	451
Dorset Studio School	9	0
Dorset Valuation Panel	0	1
East Dorset District Council	214	310
Edwards and Ward Ltd	1	0
Elm Academy Leaf	39	0
Epiphany Academy	51	4
Ferndown Town Council	6	7
Gillingham Town Council	8	7
Glenmoor Academy	14	1
Harbourside Learning Partnership	3	0
Harewood College	0	3
Hayeswood First School	18	1
Haymoor Junior School (Teach Trust)	48	5
The Heath Academy Trust	158	1
Heathlands Primary School	34	4
Highcliffe Academy	67	11
Highcliffe School	0	19
Highcliffe Junior School	0	3
Hillary Trust	169	0
Hill View Primary School	62	0
IPACA	112	18
Jewell Academy	42	0
King's Park Academy	76	4
Kingston Maurward College	182	82
Kinson Primary School (Septenary)	45	1
Kinson Primary School	3	2
Lilliput C of E Infant School	42	0
Loders Primary Trust	15	0
Longfleet C of E Primary School	59	2
Longspee Academy	20	0
Lyme Regis Town Council	13	14
Lytchett Minster and Upton Town Council	5	1
Lytchett Minster School	70	13
Magna Academy	40	8
Malmesbury Park Primary School	0	6
Malmesbury Park School	78	0
Manorside Academy	32	3
Marshwood C of E Primary School	9	0
Merley First School	37	0
Milborne St Andrew First School	1	0
Millbrook Healthcare Limited (DCC)	3	1
Millbrook Healthcare Limited (W&PBC)	2	0

Table five, continued

Employer - Scheduled Bodies	Number of Contributors	Number of Pensioners
Montacute Academy	70	6
Montacute School	0	17
Moordown St Johns C of E Primary School	37	2
Muscliff Primary School	67	1
North Dorset Dorset Council	0	225
Oakdale Junior School	42	0
Oakmead Academy Leaf	57	4
Ocean Academy Poole	17	0
Ocean Learning Trust	4	0
Old Town Infant School and Nursery	42	1
Osmington Parish Council	1	0
Parkfield School	33	2
Parkstone Grammar Academy	75	5
Parkstone Grammar School	0	12
Piddle Valley CE First School	0	0
Plymouth Cast - Dorset	186	10
Plymouth Cast - Bournemouth	96	2
Plymouth Cast - Poole	125	0
Pokesdown Academy	70	5
Pokesdown Community Primary School	0	1
Police & Crime Commissioners	10	146
Poole Grammar Academy	75	7
Poole Grammar School	0	25
Poole High School	149	22
Poole Housing Partnership Limited	103	46
Portland Town Council	2	2
Puddletown C of E First School	0	1
Purbeck District Council	121	191
Queen Elizabeth Academy	83	1
Queens Park Infant Academy	35	4
Queens Park Junior Academy	37	1
Saturn Education Trust	22	0
Southern Academy Trust	167	13
Shaftesbury Town Council	7	2
Sherborne Town Council	15	21
Shillingstone C.E. V.A. Primary School	19	6
Sir John Colfox Academy	198	2
St Aldhelm's Academy	37	4
St Andrews C of E VA First School	1	2
St Clement's and St John's CE Infant School	30	4
St Gregory's C of E Primary School	0	1
Portsmouth & Winchester Diocesan Academies Trust	4	3
St John's CE VC First School	25	1
St Leonards & St Ives Parish Council	1	0
St Luke's C of E Primary School	54	0
St Mark's C.E. Primary School (Septenary)	67	0
St Mark's CE Primary School (Set)	22	1
St Mary's Beaminster Academy	22	3
St Marys C of E Middle School	159	3
St Michaels C of E Primary School	4	5

Table five, continued

Employer - Scheduled Bodies	Number of Contributors	Number of Pensioners
St Michael's Middle School	41	0
St Osmund's C of E Middle School	71	5
St Peter's C School	132	20
St Peter's School	0	27
St Walburga's Catholic Primary School	0	4
Stalbridge C of E Primary School	0	1
Stalbridge Town Council	1	0
Stanley Green Infant Academy	28	2
Stour Valley Poole Partnership	106	11
Stourfield Infant Academy	35	0
Sturminster Newton Parish Council	0	2
Swanage Town Council	25	56
Teach Trust	2	0
The Bicknell School	0	9
The Colliton Club	3	0
Dunbury C of E Academy	27	1
The Gyphon Academy	119	22
Quay Academy	27	3
Leaf Studio Academy	15	0
The Swanage School	24	0
Thomas Hardy Academy	123	27
Tregonwell Academy	92	6
Tricuro	1,532	79
Twynham Academy	204	24
Verwood Town Council	3	0
Wareham Joint Burial Committee	0	2
Wareham St Martin Parish Council	0	1
Wareham St Mary Primary School (Set)	25	0
Wareham Town Council	6	8
West Dorset District Council	0	416
West Moors Parish Council	2	0
West Parley Parish Council	1	0
Westfield School	117	28
Weymouth & West	17	0
Weymouth And Portland Borough Council	605	589
Weymouth College	181	183
Wey Valley Academy	71	11
Wimborne Cemetery	0	1
Wimborne Minster Town Council	4	2
Wimborne Academy Trust	2	0
Winton Arts & Media College	47	2
Winton Primary Academy	65	1
Witchampton CE VA First School	9	2
Woodroffe School	46	37
Wool Parish Council	2	0
Wyvern Academy	86	7
Total Scheduled Bodies	25,480	19,133

Table five, continued

Employer - Admitted Bodies	Number of Contributors	Number of Pensioners
1610 Ltd	19	3
Action For Children	2	0
Addaction Ltd	0	1
Age Concern Bournemouth	1	4
Anglo-European College	39	25
Ansbury	58	67
A.P. Chant Plumbing & Heating	0	1
AQS Homecare	0	3
Barnardo's	0	1
BH Live	155	33
Bournemouth Citizens Advice Bureau	0	5
Bridport Museum Trust	0	1
Care Quality Commission	1	0
Care South	60	330
Care UK Plc	11	34
Churchills (Poole)	0	1
Churchills (Bearwood)	0	1
Churchills (Cleaning)	0	2
Convex Leisure Ltd	0	2
Crossways Parish Council	1	0
CSCI	0	14
Dorset Association of Parish and Town Councils	2	5
DC Leisure Management Ltd	0	6
Dorset Community Action	3	26
Dorset County Museum	9	14
SEC Contracting	0	1
East Dorset Housing Association	0	40
East Boro Housing Trust	59	5
Healthy Living Wessex	0	1
Interclean	0	2
Kingsleigh Primary School	73	2
Links4Learning	0	1
Lyme Arts Community Trust	0	1
Mack Trading	4	1
Magna Housing Association Ltd	80	216
Magna Housing Group	11	28
Milborne St Andrew Parish Council	1	0
Mouchel	1	64
N-Vitro Limited	7	0
Places For People	12	0
Poole Harbour Commissioners	0	7
Purbeck Housing Trust	0	15
Raglan Housing Association Ltd	2	26
Sequal Solutions Ltd	0	2
Signpost Care Partnership	0	2
Signpost Housing Association Ltd	0	49
Signpost Services Ltd	0	7

Employer - Admitted Bodies	Number of Contributors	Number of Pensioners
SLM (Weymouth) Charitable Trust	10	1
SLM (Weymouth) Fit & Health	0	0
SLM Community & Leisure Blandford	26	1
SLM Community Leisure Charitable Trust	37	2
SLM Food And Beverage Ltd	1	1
South Dorset Community Sports Trust	1	0
Sovereign Housing Group	4	41
Spectrum Housing Group	15	11
St Michael's Primary School (Septenary)	76	0
Synergy Housing Group	53	30
The Arts Development Company	6	1
The Children's Society	5	0
WESS	27	4
Wessex Water Authority	0	6
Weyco Services Ltd	8	1
Weymouth And Portland Housing Association	0	49
Weymouth Port Health	4	14
Total Admitted Bodies	**884**	**1,211**
Overall Total	**26,364**	**20,344**

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. 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 post 1 April 2014 increase each year, based on 49th of 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 increased annually to take into account rises in inflation.

The cost of living increase for 2017 was 1%. This was based on the Consumer Prices Index (CPI) as at September 2016.

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

Address:

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

Website: 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 two years. Any employees with a contract for less than three 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 three 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.

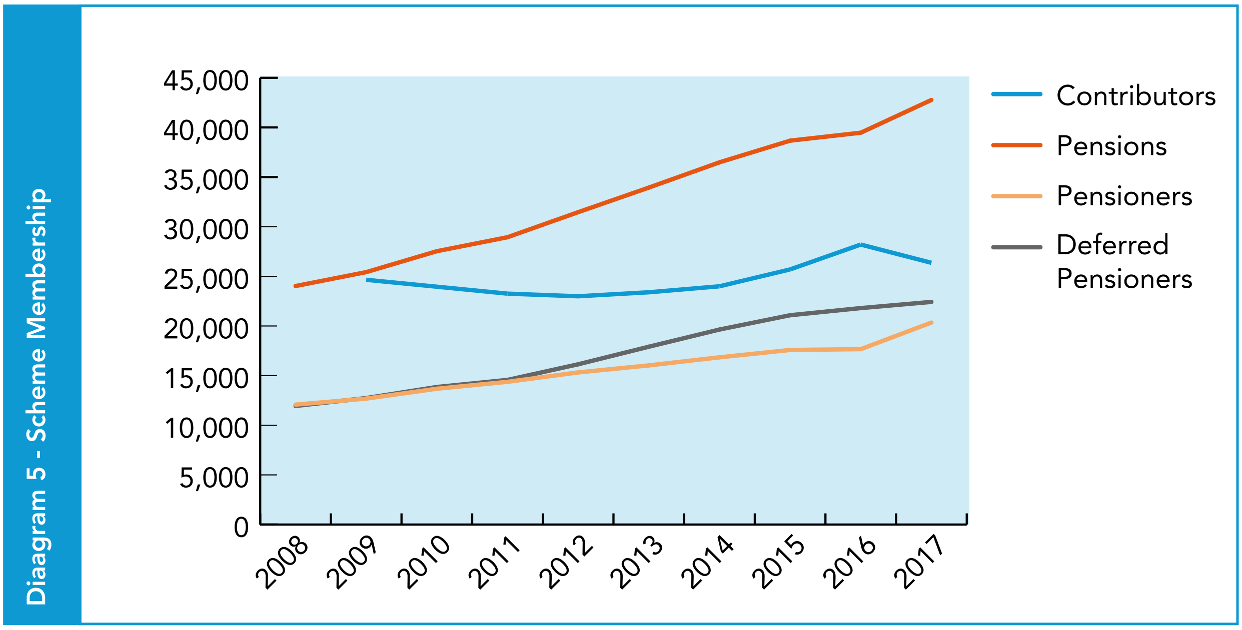
The employee contribution table for 2017/18 is shown below:

Actual Pensionable Pay	Contribution Rate %
Up to £13,700	5.5
£13,701 to £21,400	5.8
£21,401 to £34,700	6.5
£34,701 to £43,900	6.8
£43,901 to £61,300	8.5
£61,301 to £86,800	9.9
£86,801 to £102,200	10.5
£102,201 to £153,300	11.4
£153,301 or more	12.5

Further details

A booklet is available from the Pensions Section and at the website address on page 20, 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			
	2014/15 £'000s	2015/16 £'000s	2016/17 £'000s
Benefit and Expenses	147,601	118,705	126,285
Less Contributions	111,205	111,400	112,640
Net Income	-36,396	7,305	13,645
Investment Income	34,861	37,471	45,885
Net revenue surplus	-1,535	44,776	59,530
Net assets at 31 March	**2,301,132**	**2,266,446**	**2,735,997**

Membership Summary			
	31/03/15	31/03/16	31/03/17
Contributors	23,997	25,898	26,364
Pensions in payment	16,842	19,511	20,344
Deferred pensions	21,084	21,802	22,424

Actuarial valuation as at 31 March 2016

Introduction

In accordance with Regulation 62 of the Local Government Pension Scheme (LGPS) Regulations 2013 (as amended), we have been asked by Dorset County Council to prepare an actuarial valuation of the Dorset County Pension Fund (the Fund) as at 31 March 2016 as part of their role as the Administering Authority to the Fund.

The purpose of the valuation is to review the financial position of the Fund and to set appropriate contribution rates for each employer in the Fund for the period from 1 April 2017 to 31 March 2020. Contributions are set to cover any shortfall between the assumed cost of providing benefits built up by members at the valuation date and the assets held by the Fund and to also cover the cost of benefits that active members will build up in the future.

This report is provided further to earlier advice dated 10 January 2017 which set out the background to the valuation and explains the proposed underlying methods and assumptions derivation. This report summarises the results of the valuation and is addressed to the Administering Authority of the Fund. It is not intended to assist any user other than the Administering Authority in making decisions or for any other purpose and neither we nor Barnett Waddingham LLP accept liability to third parties in relation to this advice.

This advice is subject to and complies with Technical Actuarial Standards (TASs) issued by the Financial Reporting Council (namely, the Pensions TAS and generic TASs relating to reporting, data and modelling).

We would be pleased to discuss any aspect of this report in more detail. detail.

Summary of results

A summary of the results of the valuation is as follows:

Funding position

Using the agreed assumptions, the Fund had assets sufficient to cover 83% of the accrued liabilities as at 31 March 2016.

This represents a small increase since 2013.

Method and assumptions

The resulting method and assumptions are set out in Appendix 2 and we believe are appropriate for the 31 March 2016 valuation.

Changes since 2013

The Public Sector Pensions Act 2013 and updated guidance from CIPFA have introduced and reinforced requirements to focus on securing solvency of the pension fund and long-term cost efficiency.

Employer contributions

Individual employer contributions are set out in Appendix 3 in the Rates and Adjustment certificate to cover the period from 1 April 2017 to 31 March 2020.

The next actuarial valuation should be carried out with an effective date of 31 March 2019 and the contributions payable by the participating employers will be reviewed as part of that valuation.

Background to valuation approach

The purpose of the 2016 actuarial valuation is to set appropriate contribution rates for each employer in the Fund for the period from 1 April 2017 to 31 March 2020. This is required under regulation 62 of the LGPS Regulations. The Regulations for actuarial valuations have changed since the 2013 valuation and so has the context surrounding the valuation. Regulation 62 specifies four requirements that the actuary "must have regard to" and are detailed below:

- "the desirability of maintaining as nearly constant a primary rate as possible";
- "the current version of the administering authority's funding strategy statement";
- "the requirement to secure the solvency of the pension fund"; and
- "the long-term cost efficiency of the Scheme (i.e. the LGPS for England and Wales as a whole), so far as relating to the pension fund".

We have considered these changes when providing our advice and choosing the method and assumptions used and a number of reports and discussions have taken place with the Administering Authority before agreeing the final assumptions to calculate the results and set contribution rates. In particular:

- The initial results report dated 31 March 2016 which provides information and results on a whole fund basis as well as more detailed background to the method and derivation of the assumptions.
- The follow up report dated 10 January 2017 confirming the agreed actuarial assumptions following the meeting of 24 November 2016.
- The Funding Strategy Statement which will confirm the approach in setting employer contributions.

Note that not all these documents may be in the public domain.

The final assumptions have been agreed with the Administering Authority. We suggest that the Fund's Funding Strategy Statement is reviewed to ensure that it is consistent with this approach as well as complying with the updated version of CIPFA's Funding Strategy Statement guidance.

Membership data

A summary of the membership data used for the valuation is set out in Appendix 1. The membership data has been checked for reasonableness and we have compared the membership data with information in the Fund accounts. 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.

Benefits

Full details of the benefits being valued are as set out in the Regulations as amended and summarised on the LGPS website **www.lgpsmember.org** and the Fund's membership booklet. We have made no allowance for discretionary benefits.

Assets

Assets have been valued at a six month smoothed market value straddling the valuation date.

We have been provided with the audited Fund accounts for the years ending 31 March 2014, 31 March 2015 and 31 March 2016.

The market asset valuation as at 31 March 2016 was £2,266m.

The Fund's long-term investment strategy has been taken into consideration in the derivation of the assumptions used.

Results

Previous valuation

The previous valuation was carried out as at 31 March 2013 by Barnett Waddingham LLP. The results are summarised in the valuation report dated 31 March 2014 and show a funding level of 82% corresponding to a deficit of £413m.

The average employer contribution was calculated to be 13.3% of Pensionable Pay in order to cover the cost of future benefits being built up by active members.

In practice, each employer paid their own contribution rate which will have been a combination of contributions to cover the cost of future benefits (which will not necessarily have been the same as the average given above) and contributions towards a past service deficit.

Shortfall between assets and liabilities

Using the assumptions summarised in Appendix 2, the results of the valuation are set out in the tables below which show:

- The past service funding position which means how well funded the Fund was at the valuation date; and
- The primary rate for the whole Fund which is the weighted average (by payroll) of the individual employers' primary rates.

The primary and secondary rate of the individual employer contributions payable are set out in the Rates and Adjustment certificate in Appendix 3. 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.

In Appendix 3 we also disclose the sum of the secondary rates for the whole Fund for each of the three years beginning with 1 April 2017. The secondary rate is an adjustment to the primary rate each employer is required to pay.

Active members pay contributions to the Fund as a condition of membership in line with the rates required under the Regulations.

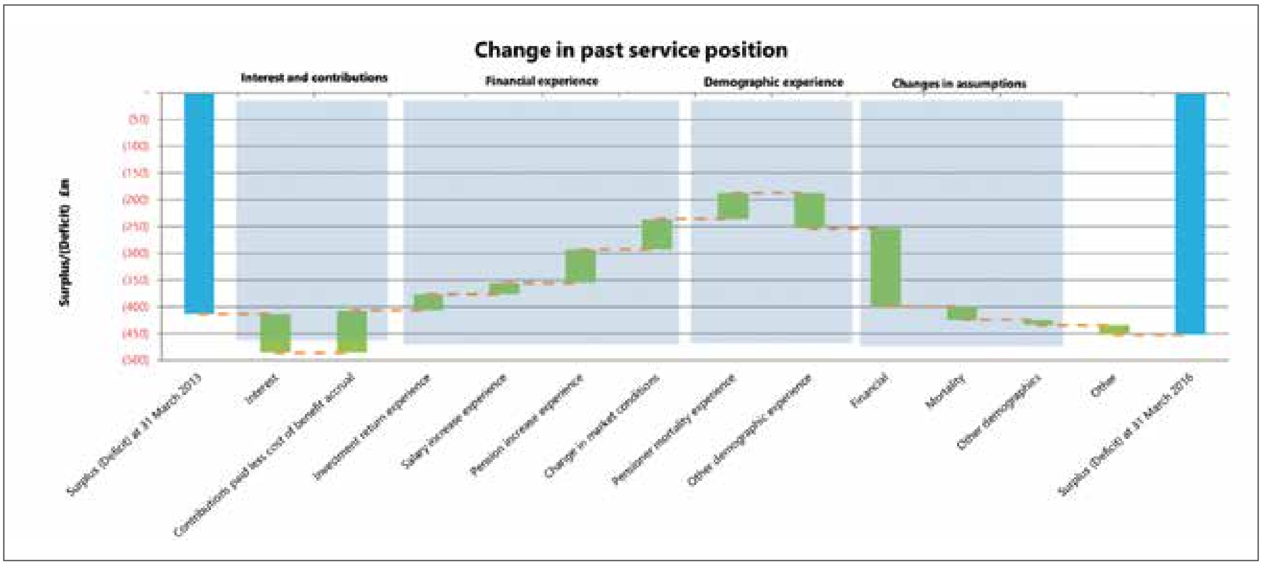
Past service funding position	31 March 2016 £M
Smoothed asset value Past service liabilities	2,249
Actives	992
Deferred pensioners	458
Pensioners	1,251
Total	2,701
Surplus (Deficit)	**(452)**
Funding level	**83%**

Primary rate	% of payroll
Total future service rate	22.0
Less employee contribution rate	(6.4)
Total primary rate	**15.6**

There was a deficit of £452m in the Fund at the valuation date, and the Fund's assets were sufficient to cover 83% of its liabilities.

Reconciliation to previous valuation

The key factors that have influenced the funding level of the Fund over the intervaluation period are as follows:



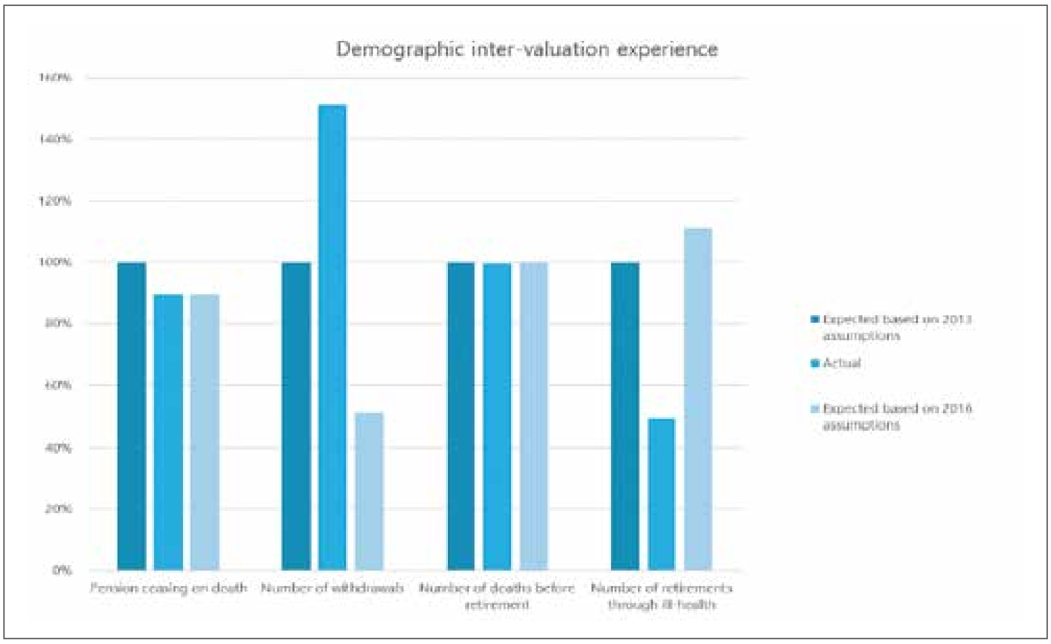
The funding level as a percentage has increased (due to good investment returns, employer contributions and pension increases being less than expected) although this has been partly offset by changes to the financial assumptions used.

The table below sets out the change in future service contribution rate over the intervaluation period.

Change in future service contribution rate	% of payroll
Average employer rate at 31 March 2013	13.3
Change in market conditions Change in assumptions	(0.5)
Financial	1.7
Mortality	0.2
Other demographics	0.5
Legislative changes	(0.3)
Other	0.6
Average employer rate at 31 March 2016	15.6

Comparing experience with assumptions

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 2013 is shown in the graph below. The graph also shows how the assumptions adopted for this valuation would have compared with those adopted at 2013.



Valuations on other bases

The liability value as set out in the previous section is known as the Fund's "funding target" and should be consistent with the Administering Authority's Funding Strategy Statement. However, as part of the valuation, we have also considered an estimate of the liabilities represented with all margins for prudence removed (the "neutral estimate").

Neutral estimate

The neutral basis is set with the main purpose of providing the Administering authority an idea of the level of prudence contained within the funding basis. The neutral estimate represents our best estimate of the funding position, in other words, we believe that it is equally likely that the Fund will beat or miss the funding target based on the neutral assumptions derived.

For the assumptions used for the funding basis, it is appropriate to include a margin for prudence to protect against the risk of not meeting the funding target and to essentially build a cushion for future adverse experience.

The neutral estimate does not contain any margins for prudence.

The funding basis includes an allowance for prudence in the discount rate assumption only. The discount rate on the neutral basis is therefore 5.8% p.a. rather than 5.4% p.a. All other assumptions are the consistent with the ongoing funding basis.

The funding level on the neutral basis was 88%.

Projected future results

The progression of the funding level over time is influenced by a large number of factors, including the experience of the Fund's membership, the investment return achieved and the contributions paid.

We estimate that three years after the valuation date (i.e. at the next valuation) the funding position on a funding basis will be 85%. This allows for contributions to be paid as described in Appendix 3 and assumes that investment returns and other experience over the next three years is in line with the assumptions used for the valuation as set out in Appendix 2.

Sensitivity analysis

Sensitivities to the liabilities

The results set out in this report are based on a particular set of assumptions. The actual cost of providing the benefits will depend on the actual experience, which could be significantly better or worse than assumed. The sensitivity of the results to some of the key assumptions is set out in the table below.

Sensitivity analysis - Past service funding position		Discount Rate		CPI inflation		Long-term salaries		Mortality improvement rate	
		-0.1%	+0.1%	-0.1%	+0.1%	-0.1%	+0.1%	-0.25%	+0.25%
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Smoothed asset value	2,249	2,249	2,249	2,249	2,249	2,249	2,249	2,249	2,249
Past service liabilities									
Actives	992	1,012	970	974	1,008	984	998	981	1,001
Deferred pensioners	458	464	445	445	464	454	454	450	459
Pensioners	1,251	1,263	1,236	1,237	1,262	1,250	1,250	1,239	1,259
Total	2,701	2,739	2,651	2,656	2,734	2,688	2,702	2,670	2,719
Surplus (Deficit)	(452)	(490)	(402)	(407)	(485)	(439)	(453)	(421)	(470)
Funding level	83%	82%	85%	85%	82%	84%	83%	84%	83%

Sensitivities to the primary rate

The calculated primary rate required to fund benefits as they are earned from year to year will also be affected by the particular set of assumptions chosen. The sensitivity of the primary rate to changes in some key assumptions is shown below.

Sensitivity analysis - Primary rate		Discount Rate		CPI inflation		Long-term salaries		Mortality improvement rate	
		-0.1%	+0.1%	-0.1%	+0.1%	-0.1%	+0.1%	-0.25%	+0.25%
	% of payroll	% of payroll	% of payroll	% of payroll	% of payroll	% of payroll	% of payroll	% of payroll	% of payroll
Total future service rate	22.0%	22.5%	21.3%	21.4%	22.5%	21.8%	22.1%	21.6%	22.1%
less employee contribution rate	(6.4%)	(6.4%)	(6.4%)	(6.4%)	(6.4%)	(6.4%)	(6.4%)	(6.4%)	(6.4%)
Total primary rate	**15.6%**	**16.1%**	**14.9%**	**15.0%**	**16.1%**	**15.4%**	**15.7%**	**15.2%**	**15.7%**

Final comments

Funding Strategy Statement

The assumptions used for the valuation must be documented in a revised Funding Strategy Statement to be agreed between the Fund Actuary and the Administering Authority. We are able to help the Fund to prepare the Funding Strategy Statement using the latest guidance issued by CIPFA.

Risks

There are many factors that affect the Fund's funding position and could lead to the Fund's funding objectives not being met within the timescales expected. Some of the key risks that could have a material impact on the Fund are:

- Employer covenant risk
- Investment risk

- Inflation risk
- Mortality risk
- Member options risk
- Legislative risk

Sensitivity to some of these risks were set out in section 4. Please note that this is not an exhaustive list. Further information on these risks and more can be found in our initial results report and will be set out in greater detail in the Funding Strategy Statement.

Rates and Adjustment Certificate

The contributions payable in respect of benefit accrual, expenses and any deficit contributions under each employer's recovery period have been set out in Appendix 3 in the Rates and Adjustments Certificate in accordance with Regulation 62 of the Regulations. In this certificate no allowance will be made for additional costs arising which need to be met by additional contributions by the employer such as non-ill health early retirements.

The contributions as set out in Appendix 3 in the Rates and Adjustments Certificate are set so that each employer's assets (including future contributions) are projected to be sufficient to cover the benefit payments for their members, on the assumptions set out in this report. Where there is currently a deficit for an individual employer, this is targeted in line with the Fund's Funding Strategy Statement and all employers are projected to be fully funded in 22 years.

This document has been agreed between the Administering Authority and the Fund Actuary. Contributions have been set that in our opinion meet the regulatory requirements and the funding objectives set out in the Fund's Funding Strategy Statement.

The next formal valuation is due to be carried out as at 31 March 2019 however we would recommend that the financial position of the Fund is monitored regularly during the period leading up to the next formal valuation. We would be happy to give more detail about the ways that this can be achieved.

Graeme Muir FFA
Barnett Waddingham LLP

Mark Norquay FFA

Appendix 1 - Summary of membership data

A summary of the membership data used in the valuation is as follows. The membership data from the previous valuation is also shown for comparison.

Actives	Number		Pensionable pay				Average age	
			Total £000		Average £			
	2016	2013	2016	2013	2016	2013	2016	2013
Males	6,472	5,999	149,035	140,636	23,028	23,443	45.5	46.5
Females	19,930	17,370	270,294	242,216	13,562	13,944	46.0	46.4
Total	26,402	23,369	419,329	382,852	15,882	16,383	45.9	46.4

Deferred pensioners (including "undecideds")	Number		Annual pensions current				Average age	
			Total £000		Average £			
	2016	2013	2016	2013	2016	2013	2016	2013
Males	7,395	6,482	11,012	9,907	1,489	1,528	44.2	44.4
Females	20,354	17,971	19,914	15,855	978	882	46.1	45.2
Total	27,749	24,453	30,926	25,762	1,114	1,054	45.6	45.0

Pensioners	Number		Annual pensions current				Average age	
			Total £000		Average £			
	2016	2013	2016	2013	2016	2013	2016	2013
Males	6,437	6,293	48,172	45,043	7,484	7,158	71.5	72.0
Females	9,678	8,151	29,655	24,158	3,064	2,964	69.6	69.6
Dependants	2,558	2,301	7,772	6,466	3,038	2,810	71.9	72.8
Total	18,673	16,745	85,599	75,667	4,584	4,519	70.6	70.9

- 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.
- Annual pensions are funded items only and include pension increases up to and including the 2016 pension increase order.
- Pensionable Pay is actual earnings.

In the table below we have set out the number of members who are assumed to reach retirement age over the period from 1 April 2016 to 31 March 2020 as required under the Rates and Adjustment Certificate.

Members may retire for a number of reasons including reaching normal retirement age, retiring through ill health or redundancy. The amounts set out in the table below are the new retirement benefit amounts, as at the current valuation date that are assumed to come into payment in each of the intervaluation years.

Projected new benefits		
Year to	**Number of members**	**Retirement benefits £m's**
31/03/2017	1,145	13
31/03/2018	1,263	14
31/03/2019	1,458	14
31/03/2020	1,317	14

Appendix 2 - Actuarial assumptions

A summary of the assumptions adopted in the valuation is set out below:

Asset class	Percentage of Fund	Return assumption (% p.a.)	Real (relative to CPI)
Gilts	13%	2.4%	0.0%
Other bonds	12%	3.3%	0.9%
Cash/temporary investments	0%	1.8%	-0.6%
Equities	57%	7.4%	5.0%
Property	14%	5.9%	3.5%
Absolute return fund – LIBOR plus 3%	5%	4.8%	2.4%
Expenses (deduction)		-0.2%	
Neutral estimate of discount rate based on long-term investment strategy		**5.8%**	**3.4%**
Prudence allowance		0.4%	
Final discount rate assumption		**5.4%**	**3.0%**

Financial assumptions		31 March 2016 % p.a.	31 March 2013 % p.a.
Discount rate		5.4%	6.0%
Pay increases	Long-term	3.9%	4.2%
	Short-term	CPI for period from 1 April 2016 to 31 March 2020	CPI for period from 1 April 2013 to 31 March 2015
Pension increases (CPI)		2.4%	2.7%
Pension increases on GMP		Funds will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we have assumed that Funds will be required to pay the entire inflationary increases.	No allowance for limit in increases for any members.

Demographic assumptions	31 March 2016	31 March 2013
Pre-retirement mortality - base table	GAD tables (updated)	GAD tables
Post-retirement mortality (member) - base table	85% of the S2PA tables	S1PA tables
Post-retirement mortality (dependant) - base table	100% of the S2DA tables for female dependants and 115% of the S2PA tables for male dependants	S1PA tables
Allowance for improvements in life expectancy	2015 CMI Model with a long-term rate of improvement of 1.5% p.a.	2012 CMI Model with a long-term rate of improvement of 1.5% p.a.
Promotional salary scale	GAD tables (updated)	GAD tables
Allowance for early retirements (ill health)	GAD tables (updated)	GAD tables
Allowance for withdrawals	GAD tables (updated)	GAD tables
Allowance for cash commutation	Members will commute pension at retirement 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 for £1 of pension	Members will commute pension at retirement 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 for £1 of pension
Allowance for 50:50 membership	Based on members' current section	10% of active members will opt to pay 50% of contributions for 50% of benefits under the new scheme
Partner age difference	Males are three years older than their spouse and females are three years younger than their spouse	Males are three years older than their spouse and females are three years younger than their spouse
Proportion married	There is a 75%/70% chance that male/female members will, at retirement or earlier death, have a dependant who is eligible for death benefits	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
Retirement age	For each tranche of benefit, the "tranche retirement age" is the earliest age a member could retire with unreduced benefits. Each member is assumed to retire at the weighted average of these for all tranches of benefit.	For each tranche of benefit, the "tranche retirement age" is the earliest age a member could retire with unreduced benefits. Each member is assumed to retire at the weighted average of these for all tranches of benefit.

Demographic assumptions – sample rates

The following tables set out some sample rates of the demographic assumptions used in the calculations. These are the same as those used by the Government Actuary's Department when LGPS reforms were designed and are based on analysis of incidence of death, retirement and withdrawal for Local Authority Funds, details of which are saved here: **www.lgpsregs.org/index.php/dclg-publications/dclg-other**

Allowance for ill health early retirements (GAD table b6.1)

A small proportion of members are assumed to retire early due to ill health. In the table below we set out an extract of some sample rates from our decrement table used:

Age	Leaving p.a. (M)	Leaving p.a. (F)
25	0.01%	0.00%
30	0.01%	0.01%
35	0.02%	0.02%
40	0.05%	0.03%
45	0.10%	0.07%
50	0.20%	0.15%
55	0.41%	0.33%
60	0.84%	0.71%
65	1.72%	1.53%

The proportion of ill health early retirements falling into each tier category has been assumed to be as follows for both males and females:

Tier 1	Tier 2	Tier 3
75%	15%	10%

Death before retirement for all members (GAD table b8)

A small number of members are assumed to die before reaching retirement age. In the table below we set out an extract of some sample rates from our decrement table used:

Age	Males	Females
25	0.03%	0.01%
30	0.04%	0.02%
35	0.05%	0.02%
40	0.06%	0.03%
45	0.09%	0.05%
50	0.13%	0.08%
55	0.21%	0.13%
60	0.32%	0.20%
65	0.51%	0.30%

Allowance for withdrawals (GAD table b7)

This assumption is regarding active members who leave service to move to deferred member status or take a transfer out but do not yet retire. Active members are assumed to leave service at the following sample rates:

Age	Leaving p.a. (M)	Leaving p.a. (F)
25	8.10%	9.08%
30	6.38%	7.20%
35	5.02%	5.71%
40	3.95%	4.53%
45	3.11%	3.59%
50	2.44%	2.85%
55	1.92%	2.26%
60	1.51%	1.79%
65	1.19%	1.42%

Promotional salary scale (using GAD table b9)

In addition to the assumption made about annual salary increases, we have also included an allowance for a promotional salary scale which applies at each age and some sample rates are set out in the table below:

Age	Males	Females
25	1.0368	1.0165
30	1.1177	1.0526
35	1.1741	1.0820
40	1.2137	1.1033
45	1.2472	1.1040
50	1.2715	1.1043
55	1.2716	1.1044
60	1.2717	1.1045

Appendix 3 - Rates and Adjustment Certificate

Regulatory background

In accordance with Regulation 62 of the Local Government Pension Scheme Regulations we have made an assessment of the contributions that should be paid into the Fund by participating employers for the period 1 April 2017 to 31 March 2020.

The method and assumptions used to calculate the contributions set out in the Rates and Adjustments certificate are detailed in the Funding Strategy Statement and in this report.

The primary rate of contribution as defined by Regulation 62(5) for each employer for the period 1 April 2017 to 31 March 2020 is set out in the table overleaf. The primary rate is the employer's share of the cost of benefits accruing in each of the three years beginning 1 April 2017. In addition each employer pays a secondary contribution as required under Regulation 62(7) that when combined with the primary rate results in the minimum total contributions as set out below. This secondary rate is based on their particular circumstances and so individual adjustments are made for each employer.

Primary and secondary rate summary

The primary rate for the whole Fund is the weighted average (by payroll) of the individual employers' primary rates, and is 15.6% of payroll.

The secondary rates across the entire Fund (as a percentage of projected payroll and as an equivalent monetary amount) in each of the three years in the period 1 April 2017 to 31 March 2020 is set out in the table below.

Secondary contributions	2017/18	2018/19	2019/20
Average as a % of payroll	4.4%	5.1%	5.8%
Total monetary amounts	£18,780,000	£22,625,000	£25,984,000

General notes

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 as the Fund Actuary. The administering authority, with advice from us as the Fund Actuary may allow some or all of these contributions to be treated as a prepayment and offset against future certified contributions.

The certified contributions include an allowance for expenses and the expected cost of lump sum death benefits but exclude early retirement strain and augmentation costs which are payable by participating employers in addition.
The monetary amounts are payable in 12 monthly instalments throughout the relevant year unless agreed by the Administering Authority and an individual employer.

Employer Code	Employer name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment)			Total contributions (% pay plus monetary adjustment)		
			2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
Dorset County Council								
993	Dorset County Council	16.0%	£6,255,000	£7,569,000	£8,943,000	16.0% plus £6,255,000	16.0% plus £7,569,000	16.0% plus £8,943,000
814	Lytchett Minster School	16.0%	5.5%	6.5%	7.5%	21.5%	22.5%	23.5%
924	Woodroffe School	16.0%	5.5%	6.5%	7.5%	21.5%	22.5%	23.5%
930	Budmouth Technology College	16.0%	5.5%	6.5%	7.5%	21.5%	22.5%	23.5%
968	Westfield School	16.0%	5.5%	6.5%	7.5%	21.5%	22.5%	23.5%
974	Shillingstone Primary School	16.0%	5.5%	6.5%	7.5%	21.5%	22.5%	23.5%
Bournemouth Borough Council								
900	Bournemouth Borough Council	15.2%	£3,785,000	£4,863,000	£5,941,000	15.2% plus £3,785,000	15.2% plus £4,863,000	15.2% plus £5,941,000
857	Malmesbury Park School	15.2%	9.0%	9.9%	10.8%	24.2%	25.1%	26.0%
858	Kinson Primary School	15.2%	9.0%	9.9%	10.8%	24.2%	25.1%	26.0%
872	St Michael's Primary School	15.2%	9.0%	9.9%	10.8%	24.2%	25.1%	26.0%
Borough of Poole								
903	Borough of Poole Council (non-education)	15.9%	£1,988,000	£2,193,000	£2,193,000	15.9% plus £1,988,000	15.9% plus £2,193,000	15.9% plus £2,193,000
	Borough of Poole Council (education)	15.9%	4.3%	5.1%	5.1%	20.2%	21.0%	21.0%
927	Poole High School	15.9%	4.3%	5.1%	5.1%	20.2%	21.0%	21.0%
Other major employers								
901	Christchurch Borough Council	15.2%	£263,000	£260,000	£266,000	15.2% plus £263,000	15.2% plus £260,000	15.2% plus £266,000
902	North Dorset District Council	15.3%	£148,000	£154,000	£159,000	15.3% plus £148,000	15.3% plus £154,000	15.3% plus £159,000
904	Purbeck District Council	15.3%	£240,000	£258,000	£265,000	15.3% plus £240,000	15.3% plus £258,000	15.3% plus £265,000
905	West Dorset District Council	15.3%	£403,000	£419,000	£434,000	15.3% plus £403,000	15.3% plus £419,000	15.3% plus £434,000

Employer Code	Employer name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment)			Total contributions (% pay plus monetary adjustment)		
			2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
906	Weymouth and Portland Borough Council	15.3%	£451,000	£469,000	£486,000	15.3% plus £451,000	15.3% plus £469,000	15.3% plus £486,000
907	East Dorset District Council	15.2%	£276,000	£280,000	£286,000	15.2% plus £276,000	15.2% plus £280,000	15.2% plus £286,000
890	Dorset Police Authority	14.7%	-1.45% plus £150,000	-0.35% plus £350,000	0.8% plus £550,000	13.25% plus £150,000	14.35% plus £350,000	15.50% plus £550,000
976	Dorset Fire Authority	n/a	£188,000	£192,000	£197,000	£188,000	£192,000	£197,000
487	Dorset & Wiltshire FRA	17.1%	-	-	-	17.1%	17.1%	17.1%
Small scheduled bodies								
419	Stalbridge Town Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
420	Osmington Parish Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
423	Bere Regis Parish Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
456	Crossways Parish Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
808	West Moors Parish Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
811	Alderholt Parish	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
819	Wool Parish	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
824	Chickerell Town Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
831	West Parley Parish Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
855	Milborne St Andrew Parish Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
910	Blandford Town Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
911	Bridport Town Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
912	Dorchester Town Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
913	Lyme Regis Town Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
914	Portland Town Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
915	Shaftesbury Town Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
916	Sherborne Town Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
917	Swanage Town Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
918	Wareham Town Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%

Employer Code	Employer name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment)			Total contributions (% pay plus monetary adjustment)		
			2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
919	Wimborne Minster Town Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
920	Gillingham Town Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
926	Corfe Mullen Parish Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
932	Ferndown Town Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
934	Lytchett Minster Town Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
937	Colehill Parish Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
983	Verwood Town Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%
Small admitted bodies								
925	Age Concern Bournemouth	16.8%	6.8%	6.8%	6.8%	23.6%	23.6%	23.6%
948	Dorset Association of Town and Parish Councils	16.8%	6.8%	6.8%	6.8%	23.6%	23.6%	23.6%
952	Dorset County Museum	16.8%	6.8%	6.8%	6.8%	23.6%	23.6%	23.6%
953	Weymouth Port Health Authority	16.8%	6.8%	6.8%	6.8%	23.6%	23.6%	23.6%
985	Dorset Community Action	16.8%	6.8%	6.8%	6.8%	23.6%	23.6%	23.6%
Academies								
400	Queen Elizabeth's School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
401	Longspee Academy	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
403	Magna Academy	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
404	Beaminster St Marys Academy	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
405	Dunbury Academy	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
406	Parkfield School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
410	Winton Media College	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
411	Glenmoor Academy	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
412	Jewell Academy	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
414	Stanley Green Infants Academy	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
416	Plymouth CAST Dorset	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
417	Portsmouth & Winchester Diocesan Academies Trust	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%

Employer Code	Employer name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment)			Total contributions (% pay plus monetary adjustment)		
			2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
418	Southern Academy Trust	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
421	Plymouth CAST Poole	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
422	Plymouth CAST - Bournemouth	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
426	Blandford Education Trust	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
428	Dorset Studio School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
429	Broadstone Middle School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
430	Broadstone First School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
431	Castleman Academy Trust	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
432	Ambitions Academy Trust	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
433	Marshwood Primary School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
435	Manorside Primary Academy	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
436	Kings Park Primary Academy	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
441	Allenbourn Middle School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
442	Colehill First School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
443	St John's First School Wimborne	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
444	Hayeswood School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
445	Witchampton School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
446	St Michaels Middle School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
447	Merley First School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
448	Haymoor Junior School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
449	Ad Astra Infant School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
450	Canford Heath Junior School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
451	Canford Heath Infant School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
457	Wareham St Mary (Saturn Educational Trust)	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
458	St Marks Swanage (Saturn Educational Trust)	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%

Employer Code	Employer name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment)			Total contributions (% pay plus monetary adjustment)		
			2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
459	Corfe Castle Primary (Saturn Educational Trust)	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
460	St Clement's and St John's CE Infant School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
461	Bethany CE Junior School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
462	St Luke's CE Primary School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
463	Heathlands Primary School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
464	Wimborne MAT	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
465	The Saturn Educational Trust	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
466	Ocean Learning Trust	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
467	Greenwood Tree Academy Trust	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
468	Bournemouth Primary MAT	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
475	Heath Multi-academy Trust	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
476	Ocean Academy Poole	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
477	Moordown St Johns CofE Primary - Septenary Trust	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
478	Kinson Primary School - Septenary Trust	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
479	Kingsleigh Primary School - Septenary Trust	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
481	Muscliff Primary School - Septenary Trust	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
482	St Michael's Primary (Septenary Trust)	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
483	St Marks CofE Primary - Septenary Trust	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
488	Winton Primary Academy (Septenary Trust)	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
838	Queens Park Infant Academy	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
842	St Aldhelms	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%

Employer Code	Employer name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment)			Total contributions (% pay plus monetary adjustment)		
			2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
843	Bourne Academy	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
844	Bishop of Winchester	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
848	Twynham School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
850	Parkstone Grammar School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
851	Thomas Hardye School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
852	Corfe Hills School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
859	St Peters	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
860	Bournemouth School for Boys	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
861	Montacute Grammar School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
862	Poole Grammar	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
863	Highcliffe Academy	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
867	Bournemouth School for Girls	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
869	Dorchester Middle School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
871	St Osmund's Middle School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
873	Avonbourne Academy Trust	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
875	Epiphany Academy	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
876	Tregonwell	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
877	The Wey Valley	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
878	Gryphon School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
880	IPACA Academy	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
881	Stourfield Infant Academy Trust	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
882	Wyvern School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
883	Queens Park Junior School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
885	Chickerell Primary School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
886	Elmrise Primary School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
887	Oakmead College of Technology	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
888	The Studio Academy	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%

Employer Code	Employer name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment)			Total contributions (% pay plus monetary adjustment)		
			2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
893	Pokesdown	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
894	The Quay Academy	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
895	Carter Community Academy	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
896	Education Swanage Ltd	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
897	Minerva Learning Trust	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%
SLM Poole								
815	SLM Food & Beverage (Poole)	16.0%	£1,000	£1,000	£1,000	16.0% plus £1,000	16.0% plus £1,000	16.0% plus £1,000
817	SLM Community & Leisure Ltd (Poole)	16.0%	£24,000	£25,000	£25,000	16.0% plus £24,000	16.0% plus £25,000	16.0% plus £25,000
Individual								
321	Edwards and Ward Ltd	25.9%	-	-	-	25.9%	25.9%	25.9%
402	Wessex Education Shared Services Ltd (WESS)	19.4%	-	-	-	19.4%	19.4%	19.4%
408	The Children's Society	16.7%	-0.5%	-0.5%	-0.5%	16.2%	16.2%	16.2%
413	Stour Valley and Poole Partnership	15.8%	£38,000	£39,000	£40,000	15.8% plus £38,000	15.8% plus £39,000	15.8% plus £40,000
415	East Boro Housing Trust	17.7%	£15,000	£16,000	£16,000	17.7% plus £15,000	17.7% plus £16,000	17.7% plus £16,000
424	Colliton Club	15.9%	£1,000	£1,000	£1,000	15.9% plus £1,000	15.9% plus £1,000	15.9% plus £1,000
434	Dorset Arts Development	19.8%	£3,000	£3,000	£3,000	19.8% plus £3,000	19.8% plus £3,000	19.8% plus £3,000
438	Millbrook Healthcare	16.8%	£2,000	£2,000	£2,000	16.8% plus £2,000	16.8% plus £2,000	16.8% plus £2,000
440	Tricuro	17.7%	-	-	-	17.7%	17.7%	17.7%
486	Nviro	21.9%	£140	£150	£150	21.9% plus £140	21.9% plus £150	21.9% plus £150
800	Bournemouth Transport	23.2%	£275,000	£286,000	£297,000	23.2% plus £275,000	23.2% plus £286,000	23.2% plus £297,000

Employer Code	Employer name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment)			Total contributions (% pay plus monetary adjustment)		
			2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
805	Spectrum Housing Group	17.3%	£241,000	£246,000	£252,000	17.3% plus £241,000	17.3% plus £246,000	17.3% plus £252,000
813	Care UK Ltd	20.9%	-3.5%	-3.5%	-3.5%	17.4%	17.4%	17.4%
820	Weyco Services	15.3%	£3,000	£3,000	£4,000	15.3% plus £3,000	15.3% plus £3,000	15.3% plus £4,000
825	Mack Trading	18.1%	£1,000	£1,000	£1,000	18.1% plus £1,000	18.1% plus £1,000	18.1% plus £1,000
826	SLM Community & Leisure (Weymouth)	13.0%	-	-	-	13.0%	13.0%	13.0%
828	South Dorset Community Sports Trust	26.6%	-	-	-	26.6%	26.6%	26.6%
837	Care Quality Commission	14.4%	£26,000	£27,000	£28,000	14.4% plus £26,000	14.4% plus £27,000	14.4% plus £28,000
840	BH Live	15.4%	-	-	-	15.4%	15.4%	15.4%
847	SLM (Blanford Leisure Centre)	13.0%	-1.0%	-1.0%	-1.0%	12.0%	12.0%	12.0%
864	Dorset, Poole & Bournemouth Adult Learning	19.6%	£115,000	£118,000	£120,000	19.6% plus £115,000	19.6% plus £118,000	19.6% plus £120,000
865	Action for Children	20.9%	0.1%	0.1%	0.1%	21.0%	21.0%	21.0%
874	1610 Ltd	11.0%	3.2%	3.2%	3.2%	14.2%	14.2%	14.2%
891	Places For People	17.7%	-	-	-	17.7%	17.7%	17.7%
922	Bournemouth University	13.1%	£572,000	£585,000	£599,000	13.1% plus £572,000	13.1% plus £585,000	13.1% plus £599,000
933	Stonewater Ltd	14.7%	£98,000	£100,000	£102,000	14.7% plus £98,000	14.7% plus £100,000	14.7% plus £102,000
941	Arts University College at Bournemouth	13.0%	£90,000	£92,000	£95,000	13.0% plus £90,000	13.0% plus £92,000	13.0% plus £95,000
942	Bournemouth & Poole College of Further Education	15.5%	£356,000	£551,000	£566,000	15.5% plus £356,000	15.5% plus £551,000	15.5% plus £566,000
943	Kingston Maurward College	15.1%	£5,000	£5,000	£5,000	15.1% plus £5,000	15.1% plus £5,000	15.1% plus £5,000

Employer Code	Employer name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment)			Total contributions (% pay plus monetary adjustment)		
			2017/18	2018/19	2019/20	2017/18	2018/19	2019/20
944	Weymouth College	15.3%	£183,000	£188,000	£192,000	15.3% plus £183,000	15.3% plus £188,000	15.3% plus £192,000
957	Sovereign Housing Association	16.3%	£147,000	£150,000	£154,000	16.3% plus £147,000	16.3% plus £150,000	16.3% plus £154,000
958	Care South	21.1%	£183,000	£187,000	£192,000	21.1% plus £183,000	21.1% plus £187,000	21.1% plus £192,000
959	Magna Housing Association	17.2%	£227,000	£232,000	£238,000	17.2% plus £227,000	17.2% plus £232,000	17.2% plus £238,000
961	Ansbury	16.0%	-1.0% plus £33,000	£33,000	£35,000	15.0% plus £33,000	16.0% plus £33,000	16.0% plus £35,000
970	Anglo-European College of Chiropractic	18.0%	2.5%	2.5%	2.5%	20.5%	20.5%	20.5%
982	Magna Housing Group	16.6%	£80,000	£82,000	£84,000	16.6% plus £80,000	16.6% plus £82,000	16.6% plus £84,000
996	Poole Housing Partnership	15.3%	-0.9%	-0.9%	-0.9%	14.4%	14.4%	14.4%
998	Synergy Housing Group	17.1%	£148,000	£151,000	£155,000	17.1% plus £148,000	17.1% plus £151,000	17.1% plus £155,000

Post valuation employers

A number of employers joined the Fund on or after 1 April 2016 and their rates were certified at their date of joining and have been reviewed as part of the 2016 valuation process. The table summarises the start dates and contributions required from these employers where known.

Employer Code	Employer Name	Primary rate (% pay)	Secondary rate (% pay plus monetary adjustment)			Total contributions (% pay plus monetary adjustment)			Start date
			2017/18	2018/19	2019/20	2017/18	2018/19	2019/20	
301	Hilary Trust	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%	01/09/2016
320	Diocese of Salisbury Academy	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%	01/09/2016
323	Loders Primary Trust	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%	01/04/2016
324	Arne Parish Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%	01/01/2017
489	Baden Powell & St Peter School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%	01/07/2016
490	Longfleet CE VC Primary School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%	01/07/2016
491	Oakdale Junior School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%	01/07/2016
492	Court Hills Infants School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%	01/07/2016
493	Lilliput CE CV Infants School	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%	01/07/2016
494	Old Town Infant School & Nursery	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%	01/07/2016
495	Sturminster Marshall Parish Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%	01/06/2016
496	Teach Trust	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%	01/08/2016
497	Harbourside Learning	15.9%	2.9%	2.9%	2.9%	18.8%	18.8%	18.8%	01/09/2016
498	East Stoke Parish Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%	TBC
499	Lytchett Matravers Parish Council	17.7%	4.3%	4.3%	4.3%	22.0%	22.0%	22.0%	01/08/2016

Any employer that joined the Fund after 31 March 2016 and is not listed above will be advised of their contribution rates separately.

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**

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 an 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
Equities	**%**
UK	26.25
Overseas (developed)	23.25
Emerging Markets	3.00
Bonds	
Corporate	12.50
Property	10.00
Alternatives	
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 it was 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 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

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

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

Principle 1: Effective decision-making	
Mainly Compliant	
Administering authorities should ensure that • decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effectively and monitor their implementation; and • those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.	
CIPFA guidance	**Dorset practice**
• Designated committee appointed	✓ A representative Pension Fund Committee, established by the County Council
• Officer roles clearly stated	✓ Officer roles are clearly stated and provision is made for the declaration of interests
• Governance compliance statement	✓ A Governance Compliance Statement is published in compliance with the regulations
• Basis of committee appointments	✓ Appointments are made with regard to relevant skills, experience and continuity
• Committee terms of reference	✓ All procedural matters are properly covered
• Delegation arrangements and roles	✓ Delegation arrangements for formally stated
• Skills and knowledge audit statement	✓ Skills and knowledge are reviewed as part of the training plan
• Structure review and handbook	✓ The Committee's structure has been reviewed and all members are provided with details of their responsibilities
• Sub-committees and panels	✓ The Committee acts in this respect
• Obtaining proper advice and resources	✓ Proper advice, including independent advice is available to the Committee, and resources have been reviewed
• Provision of Training Plan	✓ A Training Plan is in place
• Allowances paid and time off allowed	✓ The County Council has a formal policy on expenses for elected members and the member representative is allowed time off
• Clarity, completeness and timing of papers	✓ All papers are made as clear and comprehensive as possible, and circulated with adequate time for consideration
• Creation of a business plan	✗ A business plan is under consideration for 2017/18
• Strategy on employer relationships	✓ A strategy is in place for employer relationships

Principle 2: Clear objectives	
Mainly Compliant	
• 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.	
CIPFA guidance	**Dorset practice**
• Scope of investment objective	✓ An investment objective has been set with regard to liabilities, funding level and maturity profile
• Advice on returns against benchmark	✓ Appropriate independent advice is taken
• Consideration of risk	✓ Appetite for risk is taken into account
• Consideration of all asset classes	✓ All asset classes are considered
• Use of peer group benchmarks	✓ The fund uses a bespoke benchmark
• Achieving value for money/ efficiency	✓ The County Council has a general policy on value for money and efficiency
• Impact on council tax levels	✓ Strategic impact of funding levels on contribution rates is reviewed with the Fund Actuary
• Consideration of sub-funds	✓ Sub-funds are not considered appropriate
• Use of asset/liability studies	✓ An asset/liability study has been undertaken and is reviewed
• Asset allocation and diversification	✓ The Committee's approach to asset allocation, diversification and suitability of investments is described in the SIP
• Appointment of advisers	✓ Independent advisers have been appointed on an appropriate basis
• Understanding transaction related costs	✗ Transaction related costs are reported in the Pension Fund Annual Report

Principle 3: Risk and liabilities	
Mainly Compliant	
• In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities. • These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.	
CIPFA guidance	**Dorset practice**
• Setting the investment objective with regard to liabilities and risk	✓ Undertaken as part of the asset/liability study by the scheme actuary
• Policy on underperformance	✗ 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
• Use of absolute return benchmarks	✓ These are in use for hedge fund investments
• Risk assessment framework	✓ Included in the SIP
• Scheme specific benchmark	✓ A scheme specific benchmark is in use and takes account of risk
• Valuation risk assessments	✓ Stated in the FSS and undertaken on a regular basis by the scheme actuary
• Standards of internal control	✗ Audit reports are used to satisfy committee on internals controls
• Suitability of investment strategy	✓ Covered by the review of investment strategy undertaken with the scheme actuary
• Cash flows and volatility	✓ Covered by the actuary's review
• Reporting risk assessments	✗ An overall risk assessment is not included in the annual report. This will be considered as part of the strategic review

Principle 4: Performance assessment	
Mainly Compliant	
• Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisers. • 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.	
CIPFA guidance	**Dorset practice**
• Suitability of index benchmarks	✓ Appropriate benchmarks for each manager have been set using suitable indices
• Benchmark parameters or constraints	✓ The bespoke benchmark contains appropriate flexibility
• Use of active or passive management	✓ In-house management is on a passive basis
• Belief in higher active returns	✓ The Committee believes that appropriate active management has the potential to achieve higher returns
• Structure of manager mandates	✓ Individual mandates are set with appropriate controls
• Use of peer group benchmarks	✓ Used only for historic comparison prior to implementing bespoke benchmark
• Performance monitoring over time and risk limits	✓ Performance is monitored over three year rolling periods and with due regard to risk
• Monitoring investment activity	✓ Investment activity is considered at each Committee meeting
• Measuring investment returns by asset class and over time	✓ 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
• Use of independent measurers	✓ HSBC is used to measure performance
• Performance attribution analysis	✓ HSBC provide attribution analysis
• Performance assessment of managers, advisers, actuaries and consultants	✓ Performance is assessed on a regular basis
• Committee performance self-assessment and reporting	✗ Self assessment is under consideration

Principle 5: Responsible ownership	
Partly Compliant	
Administering authorities should: • adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents, • include a statement of their policy on responsible ownership in the SIP; and • report periodically to scheme members on the discharge of such responsibilities.	
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 2017 committee meeting
• Awareness of ISC Code on the Responsibilities of Institutional Investors	✗ Not addressed, will be considered at the November 2017 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 • 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 • provide regular communication to scheme members in the form they consider most appropriate.	
CIPFA guidance	**Dorset practice**
• Maintaining the Governance Compliance Statement	✓ The Statement is maintained and reported annually
• Content of Communication Statement	✓ The Statement is fully compliant and reported annually
• Interests and involvement of stakeholders	✓ Reviewed in 2009
• Communication with stakeholders, and peer group review	✓ Communication is an integral part of the Committee's governance arrangements and is reviewed independently with reference to other funds
• Content of annual reports	✓ Independent review annually
• Disclosure of delegation arrangements, asset allocation assumptions, manager mandates, fee structures	✓ Disclosed in the published statements as required by regulation
• Availability of the SIP to members	✓ SIP published in annual report, available on request
• Compliance with governance guidance requirements	✓ The Governance Compliance Statement complies with CLG guidance

Communication Policy Statement

Introduction

The Dorset County Pension Fund currently had 196 scheme employers and 25,480 active members as at 31 March 2017. 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

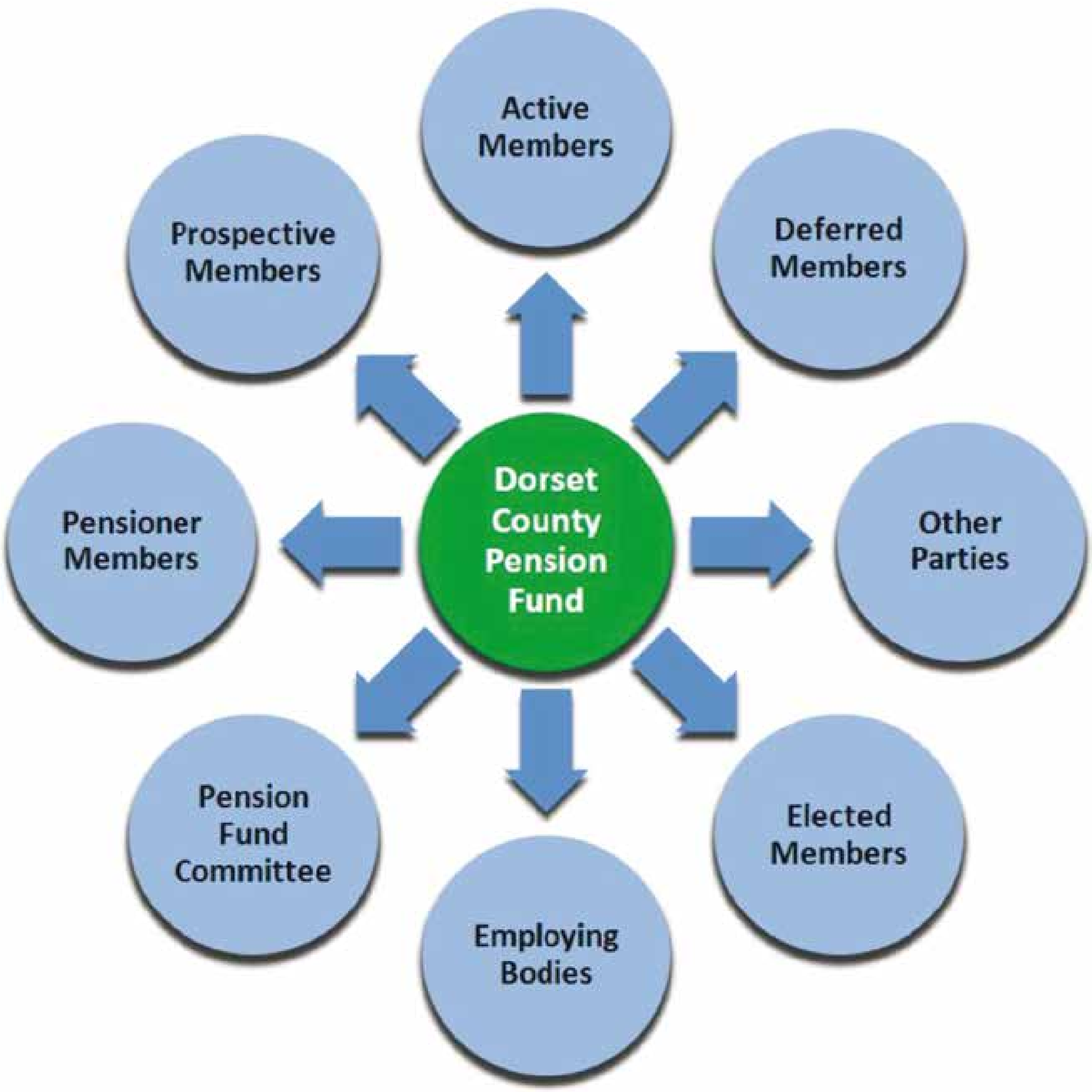
To communicate Pensions Legislation and policies in a clear informative style to ensure that key stakeholders are well informed about current and future changes to the Local Government Pension Scheme.

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.yourpension.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

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

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:
www.yourpension.org.uk/Dorset/Employers.aspx

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

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**

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

Web:
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.

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;
- 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).

2.3 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 :

i 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.

ii The members from Bournemouth and Poole are nominated by their Council.

iii The member representing the District Councils is nominated by the Dorset Leaders and Chief Executives group.

iv 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. 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 fails 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 though 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. 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%.

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.

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 publicy 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.

Ethical Investments

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

Summary of Voting for the year 2016/17

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 Institutional Shareholder Services (ISS) for the UK equity portfolio and by the Allianz, Investec and Wellington, the Fund's global equities managers. The Fund is also a member of the Local Authority Pension Fund Forum (LAPFF) which researches into areas of corporate governance, and social responsibility, and it is possible to override any decision made by ISS in light of information which may be received from the LAPFF.

1.2 The Voting Policy of the Dorset Fund applies to those assets managed in segregated accounts by the Internal Manager, Allianz, Investec and Wellington. However, the equities managed by AXA Framlington 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.

1.3 During the year to 31 March 2017, there were 6,405 individual votes on the UK portfolio, and ISS voted against 142 and abstained on 28 of the resolutions during this period. A summary of the Fund's UK voting activity for the year ended 31 March 2017 is included in Appendix 2 to this report. In addition there were 5,805 individual votes on the global equities portfolio, and the Fund's managers voted against 301 and abstained on 56 of the resolutions during this period.

1.4 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.

1.5 During the twelve months ended 31 March 2017 for the UK portfolio there were 78 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. Daejan Holdings) or the appointment of a non-independent members of the audit or remuneration committees (e.g. Jardine Lloyd Thompson).

1.6 In addition there where 66 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. JD Wetherspoon), uncapped bonuses (e.g. Telecom Plus), and significant salary increases for executive directors not explained in detail (e.g. Coca Cola plc).

1.7 Each pooled manager was asked for details of voting activity in the year 2016/17, examples of instances in which they had concerns about companies in which the fund held shares, how these concerns were addressed and whether they were collaborating with other investors in respect of these issues. Details are included in Appendix 3.

Appendix 1 - Voting Issues Policy

Issue		Action for non compliance
Leadership		
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.
Effectiveness		
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.
Accountability		
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.
Remuneration		
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.
Relations with Shareholders		
9.	Changes to the articles of association should not adversely affect existing shareholders rights.	Vote against the resolutions.
Other		
10.	Uncontroversial issues.	Vote for the resolutions.

Appendix 2

Summary of Voting for year ended 31 March 2017 – UK Equities

This summary concerns 395 Individual Company Meetings at which there were 6,405 Proposed Resolutions.

Meeting Type	Total Meetings
Annual General Meeting	334
AGM/Special Meetings	1
Special Meetings	52
Court Meetings	8
Total	**395**

Proponent	Total Resolutions
Management	6,399
Shareholders	6
Total	**6,405**

Proposal	Voted for	Voted against	Abstained	Total Votes
Takeover / Reorganisation / Merger / Disposal	38	9	0	**47**
Capitalisation / Share Capital	1,122	1	1	**1,124**
Directors	2,828	60	18	**2,906**
Salary and Compensation	469	61	5	**535**
Environmental, Social, and Governance	3	1	0	**4**
Routine / Business	1,775	10	4	**1,789**
Total	**6,235**	**142**	**28**	**6,405**

Appendix 3
Summary of Engagement by Pooled Fund Managers

Schroders

Summary of Engagement
Schroders issue a quarterly Corporate Governance, Voting, and Stewardship Report summarising contact with companies. Schroders engage with companies concerning maters 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 example of their approach:

Zotefoams

The Chair of the Remuneration Committee contacted us to ask for our feedback on the company's proposed remuneration policy. We stressed that our main concern relates to the salary increases which have been increasing significantly for a number of years for the CEO. From over £189k in 2014 to over £247k in 2017 with it moving to £272,500 in 2018 are sizable increases. With the LTIP potential maximum increasing to 150% there is potential for material increases in single figure payments. We are supportive of the TSR element being calculated relative to FTSE small cap and 25% deferral with a one year post-cessation of employment. We do feel that best practice is now 200% shareholding requirement of a company of their size. The company have since responded and have reduced their overall salary and increased shareholding guidelines to 200%. The current package represents an aligned return on management's performance.

Tate & Lyle PLC

As part of the on-going sugar roundtable project, we contacted the company to communicate our expectations on future reporting, as outlined in our final version of the Investor Expectations on Sugar, Obesity and Non-Communicable diseases. Our aim is to improve reporting and transparency around the five key principles outlined in the expectations document.

Anglo American plc

As part of our work to determine how companies manage process safety, we held a call with the safety manager of Anglo American. We were interested to learn more about how management is incentivised on safety, how Anglo American's emergency response mechanisms worked, and understand which data were being tracked. Initially when Anglo first started to track process safety, it found steady improvements in process safety data year on year, but little improvement in fatalities. This prompted a change in strategy and terminology. Process safety is now managed by operational risk management, which identifies all critical risks not limited to safety. The company is improving its reporting on leading indicators, and pointed out that high potential incidents were useful but high potential hazards were even more useful. It is clear to us that Anglo American is beginning to apply more behind the scenes than it reports, and process safety management is rising in profile within the company. As with its large diversified mining peers, Anglo is ahead of most of the sector but behind where the sector ought to be. We again encouraged better disclosure of leading indicators and process safety management systems.

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 including on environmental, social and governance matters. During 2016-17 AXA Framlington voted on 1,042 resolutions at 75 General Meetings, and either abstained or voted against 14 resolutions.

Their engagement priorities during the relevant period include:

- **Mitigation of Carbon and Climate Risk:** AXA continue their engagement with relevant companies in the Oil and Gas, Mining and Utilities sector on their climate change strategy directly and also as part of the Institutional Investors Group on Climate Change (IIGCC) coordinated collaborative engagement.
- **Corporate Lobbying:** AXA have been meeting with companies in the automobile sectors on their preparedness to meet emerging emissions regulations that will impact on the long-term performance of these companies and, which if not properly managed, has material risks for investors in that sector.
- **Human Rights in the Extractives Sector:** The objective of this engagement is to encourage companies in the Oil and Gas and Mining sectors to enhance the implementation of the UN Guiding Principles on Business and Human rights within their strategy and business operations and to improve the level of disclosure on their policy and process for managing these risk issue.
- **UN Global Compact Engagement:** AXA have a structured and long-term engagement with companies whose practices demonstrably are in breach of one or more of the principles of the UN Global Compact and where the Company has not taken action to correct the breach.

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

Company	Concern	Action
AstraZeneca plc	Strategy and Performance	Discussions with Board on company strategy and alignment of the remuneration policy with performance.
BP plc	Climate Change.	Ongoing engagement asking the company to improve disclosure around strategy and mitigation in relation to the 2 degree global warming targets of COP 21 and general climate change risks.
BT Group plc	Financial Reporting	Discussion of Board and Audit Committee oversight of financial reporting and assurance to shareholders.
GlaxoSmithKline plc	Remuneration	Discussions with Board on company strategy and alignment of the remuneration policy with performance.
HSBC plc	Succession Planning	Discussions with the Company on corporate governance issues including succession planning for Chairman and Chief Executive positions.
RoyalDutchShell plc	Climate Change	Ongoing engagement asking the company to improve disclosure around strategy and mitigation in relation to the 2 degree global warming targets of COP 21 and general climate change risks.
Weir Group plc	Remuneration	Discussions on the company's remuneration policy and practices and alignment with long-term shareholder interests.

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 2016/17 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**
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 **www.yourpension.org.uk/Dorset/Employers/Employer-Forms** The changes include: **Status:** • Change of Name • Marital Status • National Insurance Number • Address **Conditions of Service:** • Contractual Hours • Remuneration changes due to down grading • Contribution Rate • Employee Number and/or Post Number • Date Joined Scheme (if adjusted) **Absence:** • Maternity, Paternity and Adoption • Unpaid leave of absence • Industrial Action • Any other material period of absence Each employer must ensure that the relevant contributions are deducted, if required. **End of Year** 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.	To provide forms for recording any key change in circumstances and/or to provide a template for the secure submission of data electronically. 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. 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. 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.

Retirement Estimates	
Employers' Responsibility	**Fund's Responsibility**
To submit a request using the Estimate Request Form, found on **www.yourpension.org.uk/Dorset/Employers/Employer-Forms** by post or attaching it to an e-mail. (Only 1 estimate request per member per rolling year allowed, additional requests chargeable as per Charging Schedule - Appendix A) For larger bulk estimates, requests can be made in alternative formats.	To issue the quotations within 15 working days of receiving the request or by separate agreed timescales for bulk requests. To provide large employers with the appropriate software to produce retirement estimates without the resource of Fund staff. To provide large employers with the appropriate software to produce retirement estimates without the resource of Fund staff.

Actual Retirement	
Employers' Responsibility	**Fund's Responsibility**
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. Further information can be found in the Employers Guide: **www.yourpension.org.uk/Dorset/Employers**	To issue the member with a letter and retirement information within 10 days of notification. 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. To pay any pension payment on the last working day of each month, following retirement.

Ill Health Retirements	
Employers' Responsibility	**Fund's Responsibility**
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. 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	To calculate and pay required benefits in line with actual retirement timescales.
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. To inform the Administering Authority if and when the pension should cease.	To calculate and recover any overpayment of pension benefits
To review all Tier 3 ill health retirement cases prior to discontinuance at three years and notify member of cessation if applicable. Further information on ill health retirements can be found in the Employers Guide; **www.yourpension.org.uk/Dorset/Employers**	Update the member records as becoming a "pensioner member with deferred benefits from the date of the suspension".

Members Leaving Employment Before Retirement	
Employers' Responsibility	**Fund's Responsibility**
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.	To accurately record and update member records on the pension administration system. To inform members who leave the Scheme, who are not entitled to immediate payment of benefits, the options available and deferred benefit entitlement.

Former Members with Deferred Benefits	
Employers' Responsibility	**Fund's Responsibility**
To keep adequate records of the following for members who leave the Scheme with deferred benefits as early payment of benefits may be required: • Name and Last known address • National Insurance Number • Payroll Number • Date of Birth • Last job including job description • Salary details • Date and reason for leaving 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.	To record and update member records on pension administration system. Issue deferred benefit notification within 2 months of notification by employer. To provide former members, where possible, an annual benefit illustration of their deferred benefits updated by accrued annual pensions increase award. To provide estimates of benefits that may be payable and any resulting employer costs within 10 working days of request.

Death in Service and Terminal Illness	
Employers' Responsibility	**Fund's Responsibility**
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. Further information can be found in the Employers Guide; **www.yourpension.org.uk/Dorset/Employers**	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.

Financial Obligations	
Employers' Responsibility	**Fund's Responsibility**
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. 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. To ensure that all payments made to the Fund are supported by a completed Monthly Financial Return form which is available at **www.yourpension.org.uk/Dorset/employers** Further information can be found in the Employer Guide: **www.yourpension.org.uk/Dorset/employers**	To allocate the received contributions to each employers record. Interest will be charged for late payment as detailed in Regulation 71(4) of the LGPS Regulations 2013.
To apply the correct employer and employee contribution rate. To alter employee contribution rates at all other times in line with the employers' discretionary policy on adjusting employee contribution rates.	Inform each employer of any new contribution banding.
To pay all rechargeable items to the Fund within four weeks of the invoice.	The Fund will inform employers of any recharge items as they become due.
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.	To record and update member records on pension administration system to show membership of AVC scheme.

Additional Benefits (Arcs And Asbcs)	
Employers' Responsibility	**Fund's Responsibility**
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. More information can be found in the Employers Guide, **www.yourpension.org.uk/Dorset/employers**	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.

Discretions Policy	
Employers' Responsibility	**Fund's Responsibility**
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, **www.yourpension.org.uk/Dorset/employers**. See Appendix B for details of Discretions. 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. And No later than 6 months after being informed by the Fund of any relevant change in the Regulations.	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. 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.

Key Performance Indicators

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

Top Ten Case Types April 2016 to March 2017	Cases completed in period	Performance (%)	KPI (days)	Cases completed on time or early
Admissions	707	100.00	30	707
Transfers In Quote	50	94.00	15	47
Transfers In Actual	15	100.00	20	15
Transfers Out	22	95.45	10	21
Transfers Out Actual	8	87.50	10	7
Estimates Requested by Employee	139	100.00	15	139
Estimates Requested by Employer	32	100.00	15	32
Retirements	169	94.67	5	160
Deferred Benefits	114	99.12	40	113
Refunds	265	33.21	15	88
Deaths	20	100.00	5	20
Correspondence	297	98.99	30	294
Total	**1,838**	**89.39**		**1,643**

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.

Accounts

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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 2017 on pages 112 to 129.

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 2016/17.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements included in the Pension Fund Annual Report 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 2016/17.

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 2017 and comply with applicable law and the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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.

Darren Gilbert
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
66 Queen Square, Bristol BS1 4BE
23 August 2017

Fund Account

31 March 2016				31 March 2017	
£'000	£'000		**Note**	**£'000**	**£'000**
		Contributions	8&9		
77,413		Employers, normal		79,776	
2,582		Employers, other		2,392	
26,677	106,672	Employees, normal		26,978	109,146
	4,728	**Transfers in from other pension funds**	8		3,494
	111,400	**Total additions from dealing with members etc**			**112,640**
		Benefits	9		
83,924		Pensions		87,976	
17,831		Commutations and retirement grants		17,421	
2,402	104,157	Death benefits		2,678	108,075
		Payments to and on account of leavers			
234		Refunds of Contributions		364	
48	282	State scheme premiums		71	435
	3,158	**Transfers to other pension funds**			4,024
	3,803	**Net additions/(withdrawals) from dealings with members etc.**			**106**
	11,108	Management expenses	10		13,751
	(7,305)	**Net additions/(withdrawals) including Fund management expenses**			**(13,645)**
		Investment Income *			
23,364		Dividends from equities		33,632	
13,560		Rents from properties		11,828	
356		Interest		228	
191	37,471	Other investment income	13	197	**45,885**
		Profit on disposal of and changes in the market value of investments			
208,238		Profit/(loss) on disposal of investments		54,234	
(273,090)	(64,852)	Increase/(decrease) in market value of investments		383,077	**437,311**
	(27,381)	**Net return on investments**			**483,196**
	(34,686)	**Net increase/(decrease) in assets available for benefits during the year**			**469,551**
	2,301,132	**Opening net assets of the fund 1 April**			**2,266,446**
	2,266,446	**Closing Net Assets of the fund 31 March**			**2,735,997**

* 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 2016				31 March 2017	
£'000	£'000		**Note**	**£'000**	**£'000**
		Investment assets	11		
405,206		UK equities (quoted)		504,282	
520,837		Overseas equities (quoted)		629,158	
971,428		Pooled investment vehicles		1,279,377	
10		Absolute return funds		-	
65,432		Private equity		77,003	
221,125		Property		216,790	
31,600		Temporary investments		-	
1,680	**2,217,318**	Other Investment Asset Balances		2,369	**2,708,979**
	(2,625)	**Investment liabilities**			(4,109)
	2,214,693	**Total net investments**			**2,704,870**
	4,825	Long term debtor			3,860
	-	Long term deferred income			-
		Current assets			
9,447	-	Trade and other receivables		9,287	
60,226	**69,673**	Cash and cash equivalents	11	29,778	**39,065**
		Current liabilities			
(4,891)		Trade and other payables		(4,213)	
(17,854)	(22,745)	Deferred income		(7,585)	(11,798)
	2,266,446	**Net assets available to fund benefits at 31 March**			**2,735,997**

The above Pension 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 2017.

The Net Asset Statement does not reflect any obligations to meet pension and benefit costs beyond the end of the 2016-17 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 ("the Fund") is part of the Local Government Pension Scheme (LGPS) and is administered by Dorset County Council ("the Council").

Dorset 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 Council (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.

In its role as the administering authority, the County Council's responsibilities include the collection of contributions, the payment of pension benefits, the investment of surplus funds, 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 and administered in accordance with 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 2016 (as amended).

Performance of these above responsibilities is overseen by the Dorset County Pension Fund Committee comprising elected members of the Council and other local authorities together with a scheme member representative (nominated by the unions), with day to day administration of the Fund's activities undertaken by County Council officers headed by the Fund Administrator. Also, with effect from 1 April 2015, a Local Pension Board was established by the Committee to secure compliance with regulations, legislation and other requirements relating to the governance and administration of the Fund.

2. Basis of Preparation

The statement of accounts summarise the Fund's transactions for the 2016/17 financial year and its position at year-end as at 31 March 2017. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year.

3. Summary of significant accounting policies

Fund Account:

Contribution income: Contributions from both the members and the employers are accounted for on an accruals basis in the payroll period to which they relate. "Other" contributions from employers for early retirement costs are accrued for based on the date of retirement.

Transfers to and from other schemes: 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: Dividend income is recognised on the date the shares are quoted ex-dividend, rents from properties are recognised on an accruals basis in the accounting period they relate to.

Benefits payable: Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the net assets statement as trade and other payables (current liabilities).

Management expenses: Fund management expenses are accounted for in accordance with the CIPFA guidance "LGPS Management Expenses".

Net Assets Statement:

Financial assets: Financial assets are included in the net assets statement on a fair value basis as at the reporting date. Investments with a stock exchange listing are valued at bid prices as at the reporting date, investments in pooled 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 investment manager. Unquoted securities are included at an estimated fair value based on advice from the investment manager. All foreign currencies are translated at the rate ruling at the net assets statement date.

Freehold and leasehold properties: Direct holdings of property are valued annually as at the year-end date by independent external valuers on a fair value basis and in accordance with the prevailing valuation standards of the Royal Institution of Chartered Surveyors (RICS).

Derivatives: The Fund uses derivative financial instruments to manage its exposure to currency risk. 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 2017.

Cash and cash equivalents: Cash comprises cash in hand and demand deposits, and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, subject to minimal risk of changes in value.

4. Critical judgements in applying accounting policies

The Fund's net liability is recalculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used in is line with accepted guidelines. This estimate is subject to significant variances based on changes to the underlying assumptions which are agreed with the actuary and have been summarised in note 16 below. These actuarial revaluations are used to set future contribution rates and underpin the Fund's most significant investment management policies.

5. Assumptions made about the future and other major sources of uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the year-end date and the amounts reported for the revenue and expenses during the year. Estimates and assumptions are made taking into account historical experience, current trends and other relevant factors. However, the nature of estimation means that the actual outcomes could differ from the assumptions and estimates.

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Fund assets. A firm of consulting actuaries, Barnett Waddingham, is engaged to provide the Fund with expert advice about the assumptions to be applied.

6. Events after the reporting date

There are events, both favourable and unfavourable, that can occur between the end of the reporting period and the date when the financial statements are authorised for issue. Such events are classified as:

Adjusting events: events that provide evidence of conditions that existed at the end of the reporting period, for example new information coming to light regarding the methodology employed in the valuation of an asset.

Non-adjusting events: events that are indicative of conditions that arose after the end of the reporting period, for example a marked decline in global stock markets that would impact on the market value of the Fund's investments were they to be valued as at the date when the accounts were authorised for issue.

There are no adjusting or non-adjusting events after the reporting date to disclose.

7. 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. Employees of admitted bodies will have separate individual arrangements on admission depending on their employer's agreement in place. Membership of the new LGPS scheme is offered to teachers where membership of their normal scheme is not available to them. All employees can opt out of the scheme at any time.

The following table summarises the numbers of contributors and pensioners in the scheme at 31 March 2017 and 31 March 2016.

31 March 2016		31 March 2017
	Contributors	
7,644	Dorset County Council	7,952
17,255	Scheduled Bodies	17,528
999	Admitted Bodies	884
25,898	**Total Contributors**	**26,364**
	Pensioners	
7,879	Dorset County Council	8,155
10,484	Scheduled Bodies	10,978
1,148	Admitted Bodies	1,211
19,511	**Total Pensioners**	**20,344**

In addition there were 22,428 deferred members as at 31 March 2017 who have entitlement to a benefit at some time in the future (21,802 as at 31 March 2016).

8. Employer contributions

The normal contributions made by employers consist of two elements - (1) to fund pensions on future service and (2) 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.

2015/16		2016/17
£'000	**Employer Contributions**	**£'000**
55,234	Contributions re Future Service Costs	56,938
22,011	Contributions re Past Service Costs	22,690
168	Voluntary Additional Contributions	148
77,413	**Total Contributions**	**79,776**

Other Employers' contributions of £2,392k shown in the Fund Account (£2,582k for 2015/16) are amounts paid by employers to the Fund to meet the capital costs of early retirements.

9. 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.

2015/16			2016/17	
Contributions (£'000)	**Benefits (£'000)**		**Contributions (£'000)**	**Benefits (£'000)**
33,447	36,246	**Dorset County Council**	31,461	**37,133**
67,490	61,452	**Scheduled Bodies**	73,461	**64,123**
5,735	6,459	**Admitted Bodies**	4,224	**6,819**
106,672	**104,157**	**Total**	**109,146**	**108,075**

10. Management expenses

The table below shows a breakdown of the management expenses incurred during the year.

2015/16 £'000		2016/17 £'000
1,337	Administration Expenses	1,425
497	Oversight and Governance	524
9,274	Investment Management Expenses	11,802
11,108	**Total Management Expenses**	**13,751**

Investment Management Expenses for 2016/17 consist of management fees of £8.2M (£6.8M in 2015/16), performance related fees of £0.7M (£0.5M), transaction costs of £0.8M (£0.4M), custody fees of £0.2M (£0.1M), direct operating expenses relating to investment properties of £1.0M (£1.3M) and other fees and costs of £0.9M (£0.2M), in accordance with the CIPFA guidance "LGPS Management Expenses".

11. Investments

The following table summarises details of the market valuation of the Fund's investments as at the reporting date.

31 March 2016				31 March 2017	
Market Value		**Portfolio/Manager**	**Type of Pooled Vehicle**	**Market Value**	
£'000	%			£'000	%
		Segregated Investments			
365,654	16.1	UK equities - Quoted		504,282	18.4
		Dorset County Council			
560,389	24.6	Overseas equities - Quoted		629,158	23.0
		Allianz, Investec, Wellington			
10	0.0	Absolute Return (Hedge) Funds		-	0.0
		International Asset Management			
65,432	2.9	Private Equity		77,003	2.8
		HarbourVest, Standard Life			
221,125	9.7	Property Portfolio		216,790	7.9
		CBRE Global Investors			
31,600	1.4	Temporary investments		-	0.0
		Dorset County Council			
1,244,210	**54.7**	**Total - Segregated Investments**		**1,427,233**	**52.1**
		Pooled Investments			
286,118	12.5	Bonds		313,505	11.5
		rlam	Unit Linked Inv Fund - Life Policy		
146,604	6.4	U.K. Equities - Listed		233,028	8.5
		AXA Framlington	Unit Trust		
		Schroders	Unit Trust		
71,935	3.2	U.K. Equities - Unlisted		-	0.0
		Standard Life	Trustee Inv Plan		
65,186	2.9	Overseas Equity Portfolio - Listed		91,232	3.3
		JP Morgan	Unit Trust		
1,771	0.1	Absolute Return Funds		426	0.0
		Gottex Fund Management	Open Ended Fund		
		Pioneer Alternative Inv.	Mutual Fund		
25,205	1.1	Property		24,281	0.9
		Lend Lease Retail Partnership			
		Standard Life	UK Shopping Centre Trust		
107,588	4.7	Diversified Growth Funds		119,069	4.4
		Baring Asset Management	Non UCITS (PIF)		
29,030	1.3	Infrastructure		98,043	3.6
		Hermes GPE	Infrastructure Fund		
		IFM	Global Infrastructure Fund		
237,991	10.5	Liability Driven Investment		399,793	14.6
		Insight	LDI Active 16 Fund		
971,428	**42.7**	**Total - Pooled Investments**		**1,279,377**	**46.8**
60,226	**2.6**	**Cash and Cash Equivalents**		**29,778**	**1.1**
2,275,864	**100.0**	**Total Investments**		**2,736,388**	**100.0**

Any single investments exceeding 5% of total net assets are in pooled investment vehicles made up of underlying investments each of which represent substantially less than 5% of total net assets.

12. Reconciliation of movements in investments and derivatives

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

	Value 1 April 2016	Purchases and Derivative payments	Sales and Derivative receipts	Change in market value	**Value 31 March 2017**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Equities - Quoted	926,043	446,781	461,295	221,911	1,133,440
Pooled Investment Vehicles	971,428	116,151	33,402	225,200	1,279,377
Absolute Return (Hedge) Funds	10	-	8	(2)	-
Private Equity	65,432	13,467	15,713	13,817	77,003
Property	221,125	3,064	8,212	813	216,790
Forward Foreign Exchange	-	32,723	525	(32,198)	_
Sub-Total	**2,184,038**	**612,186**	**519,155**	**429,541**	**2,706,610**
Temporary investments	31,600	-	31,600	-	**-**
Cash and Cash Equivalents	60,226	243,140	273,588	-	**29,778**
Total	**2,275,864**	**855,326**	**824,343**	**429,541**	**2,736,388**

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 Fund Account.

13. 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 £197k comprising £169k from UK equities and £28k from overseas equities, net of charges. The value of stock on loan as at 31 March 2017 was £287.0M, comprised of £278.9M in the UK and £8.1M overseas, secured by total collateral worth £301.8M.

14. Fair value of assets

All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date. Asset valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values, as follows:

Level 1: where fair values are derived form unadjusted quoted prices in active markets for identical assets;

Level 2: where market prices are not available, for example, where an asset is traded in a market that is not considered to be active, but where valuation techniques are based significantly on observable market data;

Level 3: where at least one input that could have a significant effect on the valuation of the asset is not based on observable market data.

The following tables summarise the Fund's investment assets by class at 31 March 2017 and at 31 March 2016 measured at fair value according to the above fair value hierarchy.

31 March 2017	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total
UK Equities - Quoted	504,282	-	-	504,282
Overseas Equities - Quoted	629,158	-	-	629,158
Pooled Investment Vehicles	-	1,156,627	122,750	1,279,377
Absolute Return (Hedge) Funds	-	-	-	-
Private Equity	-	-	77,003	77,003
Property	-	-	216,790	216,790
Temporary Investments	-	-	-	-
Sub Total	**1,133,440**	**1,156,627**	**416,543**	**2,706,610**
Cash and Cash Equivalents	29,778	-	-	29,778
Total	**1,163,218**	**1,156,627**	**416,543**	**2,736,388**

31 March 2016	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total
UK Equities - Quoted	405,206			405,206
Overseas Equities - Quoted	520,837			520,837
Pooled Investment Vehicles	-	915,432	55,996	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	**957,643**	**915,432**	**342,563**	**2,215,638**
Cash and Cash Equivalents	60,226	-	-	60,226
Total	**1,017,869**	**915,432**	**342,563**	**2,275,864**

During the year ended 31 March 2017 there were no transfers between levels 1, 2 or 3 of the fair value hierarchy.

The basis of the valuation of each class of investment asset is summarised below.

Description of Asset	Basis of Valuation	Key Inputs	Key Sensitivities
Level 1:			
Market quoted investments	Published bid market price ruling on the final day of the accounting period.	Not required.	Not required.
Exchange traded pooled investments	Published exchange prices at the reporting date.	Not required.	Not required.
Level 2:			
Pooled investments - unit trusts	Closing bid price where bid and offer prices are published, or closing single price where single price only is published.	Net Asset Value (NAV) based pricing set on a forward pricing basis.	Not required.
Level 3:			
Freehold and leasehold properties	Valued at fair value at the reporting date by Peter Sudell FRICS of BNP Paribas Real Estate and Andrew Wells FRICS (the Derwent portfolio) of Allsop LLP, both acting as independent valuers and in accordance with current RICS Valuation Standards.	Existing lease terms and rentals, independent market research, nature of tenancies, covenant strength for existing tenants, assumed vacancy levels, estimated rental growth, discount rate.	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations, as could more general changes to market prices.
Unquoted equity	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012).	Earnings (EBITDA) and revenue multiples, discount for lack of marketability, control premium.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's reporting date, changes to expected cashflows, differences between audited and unaudited accounts.
Pooled investments - hedge funds	Closing bid price where bid and offer prices are published, or closing single price where single price only is published.	Net Asset Value (NAV) based pricing set on a forward pricing basis.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Fund's reporting date, changes to expected cashflows, differences between audited and unaudited accounts.
Pooled investments - property funds	Underlying assets valued at fair value at the reporting date by each fund's valuers in accordance with current RICS Valuation Standards, taking account of other financial assets and liabilities within the fund structure.	Existing lease terms and rentals, independent market research, nature of tenancies, covenant strength for existing tenants, assumed vacancy levels, estimated rental growth, discount rate.	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations, as could more general changes to market prices.

15. Nature and extent of risks arising from financial instruments

The Fund's primary long-term risk is that its assets will fall short of its liabilities (i.e. promised benefits payable to members). Therefore the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunities for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, interest rate risk and currency risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet its forecast cash flows.

Responsibility for the Fund's risk management strategy rests with the Committee. The Committee receives regular reports from each investment manager and from its Independent Adviser on the nature of the investments made and their associated risks.

(a) Market Risk

Market risk is the risk of loss resulting from general market fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities, and by gaining exposure to different markets through different investment managers. Exposure to specific markets and asset classes is limited by applying strategic targets to asset allocation, which are agreed and monitored by the 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 such instruments in the market. The Fund's investment managers mitigate this risk through diversification in line with their own investment strategies.

The following table demonstrates the change in the net assets available to pay benefits if the market price for each class of investment had increased or decreased by 15%, excluding temporary investments and cash deposits.

As at 31 March 2017	Value £'000	Percentage Change %	Increase £'000	Decrease £'000
UK equities - Quoted	504,282	15	75,642	(75,642)
Overseas equities - Quoted	629,158	15	94,374	(94,374)
Pooled Investment Vehicles	1,279,377	15	191,907	(191,907)
Absolute Return (Hedge) Funds	-	15	-	
Private Equity	77,003	15	11,550	(11,550)
Property	216,790	15	32,519	(32,519)
Temporary investments	-	-	-	-
Cash Deposits	29,778	-	-	-
Total	**2,736,388**	**14.84**	**405,992**	**(405,992)**

As at 31 March 2016	Value £'000	Percentage Change %	Increase £'000	Decrease £'000
UK equities - Quoted	405,206	15	60,781	(60,781)
Overseas equities - Quoted	520,837	15	78,126	(78,126)
Pooled Investment Vehicles	971,428	15	145,714	(145,714)
Absolute Return (Hedge) Funds	10	15	2	(2)
Private Equity	65,432	15	9,815	(9,815)
Property	221,125	15	33,169	(33,169)
Temporary investments	31,600	-	-	-
Cash and Cash Equivalents	60,226	-	-	-
Total	**2,275,864**	**14.39**	**327,607**	**(327,607)**

(a) (ii) 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 2017 and 2016 are provided below, based on underlying financial assets at fair value.

(a) (ii) 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 2016.

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.

	As at 31 March 2017			As at 31 March 2016		
	Market Value £'000	Change in net assets £'000		Market Value £'000	Change in net assets £'000	
		+1%	-1%		+1%	-1%
Cash and cash equivalents	29,778	298	(298)	60,226	602	(602)
Bonds and LDI	713,298	7,133	(7,133)	524,109	5,241	(5,241)
Temporary investments	-	-	-	31,600	316	(316)
Total	**743,076**	**7,431**	**(7,431)**	**615,935**	**6,159**	**(6,159)**

(a) (iii) 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 any currency other than the functional currency of the Fund (UK sterling). The Fund holds both monetary and non-monetary assets denominated in currencies other than UK sterling.

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. This hedge is settled in full on a quarterly basis. The following summarises the Fund's exposure to currency exchange rate movements on its investments net of this hedge.

	31 March 2017	31 March 2016
	£'000	**£'000**
US Dollar	258,366	220,525
Euro	63,364	60,247
Canadian Dollar	27,423	21,016
Japanese Yen	25,509	22,461
Swiss Franc	11,278	6,379
Hong Kong Dollar	10,128	1,770
Australian Dollar	9,956	6,190
Singapore Dollar	9,754	1,127
Norwegian Krone	6,432	1,846
Danish Krone	5,996	2,066
Israeli Shekel	4,759	2,920
Swedish Krona	1,542	3,156
Total Net Exposure	**434,507**	**349,703**

(a) (iii) 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 below. 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 2016.

A strengthening or weakening of the pound against the various currencies by one standard deviation (measured in percentages below) at 31 March 2017 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 2017	Change in net assets		
	%	£'000	£'000
Japanese Yen	3.25	829	-829
US Dollar	3.24	8,371	-8,371
Euro	2.98	1,888	-1,888
Swiss Franc	2.70	305	-305
Australian Dollar	2.56	255	-255
Canadian Dollar	1.98	543	-543
Singapore Dollar	1.66	162	-162
Norwegian Krone	0.46	30	-30
Hong Kong Dollar	0.41	42	-42
Danish Krone	0.40	24	-24
Israeli Shekel	0.39	19	-19
Swedish Krona	0.32	5	-5
Total		**12,473**	**(12,473)**

As at 31 March 2016	Change in net assets		
	%	£'000	£'000
Japanese Yen	2.78	624	-624
Australian Dollar	2.69	167	-167
US Dollar	2.40	5,293	-5,293
Euro	2.21	1,331	-1,331
Canadian Dollar	2.21	464	-464
Swiss Franc	1.74	111	-111
Singapore Dollar	1.40	16	-16
Norwegian Krone	0.46	8	-8
Israeli Shekel	0.39	11	-11
Swedish Krona	0.33	10	-10
Hong Kong Dollar	0.30	5	-5
Danish Krone	0.30	6	-6
Total		**8,046**	**(8,046)**

(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. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

The selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur though 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 are rated independently and meet the Fund's credit 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 2017 is the carrying amount of the financial assets.

	31 March 2017	31 March 2016
Investment	**£'000**	**£'000**
Temporary Investments	-	31,600
Bank Account Deposits	2,628	2,426
Money Market Funds	27,150	57,800
Bonds held in Pooled Investment Vehicles	713,298	524,109
Total	**743,076**	**615,935**

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 March 2017		31 March 2016	
Bond Rating:	**%**	**£'M**	**%**	**£'M**
Government bonds	56.0	400	45.4	238
Corporate bonds:				
AAA	3.6	26	5.0	26
AA	4.5	32	5.9	31
A	12.9	92	15.5	81
BBB	16.6	117	20.5	108
BB or less	2.2	16	2.7	14
Unrated	4.2	30	5.0	26
Total	**100.0**	**713**	**100.0**	**524**

(c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. Such risks are mitigated by maintaining a detailed cashflow model and taking appropriate steps to ensure that there is adequate cash available to meet liabilities as they fall due.

The Fund has immediate access to its cash holdings and defines liquid assets as assets that can be converted to cash within three months notice, subject to normal market conditions. As at 31 March 2017, liquid assets were £2,344M representing 86% of total net assets (£1,958M at 31 March 2016 representing 86% of total net assets at that date).

16. Funding arrangements

In accordance with the LGPS Regulations, the Fund's actuary, Barnett Waddingham, undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The most recent such valuation took place as at 31 March 2016, setting employer contribution rates for the period 1 April 2017 to 31 March 2020.

Contribution rates for the year ending 31 March 2017 were set at the previous valuation calculated as at 31 March 2013. The common contribution rate for 2016/17 was 18.6%, comprising future service contributions of 13.3% and deficit recovery contributions of 5.3%. The common contribution rates set at the 2016 valuation for the three year period ending 31 March 2020 are as follows.

	2017/18	2018/19	2019/20
Future service contributions	15.60%	15.60%	15.60%
Deficit recovery contributions	4.40%	5.10%	5.80%
Total employer contributions	**20.00%**	**20.70%**	**21.40%**

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 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. Each employer pays an individual rate of contributions to reflect its own particular circumstances and funding position within the Fund. The contribution rates were calculated using the projected unit method taking account of market conditions at the valuation date.

At the 2016 valuation, the Fund was assessed as 83% funded, compared to 82% at the 2013 valuation, and the deficit recovery period has been reduced from 25 years to 22 years. The key assumptions applied by the actuary for the 2016 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.

	Valuation 2016 (per annum)	Valuation 2013 (per annum)
Rate of return on investments	5.40%	6.00%
Rate of increases in pay (long term)	3.90%	4.20%
Rate of increases in pay (short term)	2.40%	2.70%
Rate of increases to pensions in payment	2.40%	2.70%

17. Actuarial present value of promised retirement benefits

In addition to the triennial funding valuation, the Fund's actuary, Barnett Waddingham, also undertakes a valuation of the Fund's liabilities, on an IAS 19 basis, using the same base data as the funding valuation rolled forward to the current financial year, taking account of membership numbers and updating assumptions to the current year. This annual valuation is not carried out on the same basis as that used for setting employer contribution rates and the Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

This valuation as at 31 March 2017 is set out in Appendix C Pension Fund - IAS 26 Disclosures to these financial statements 2016/17.

18. Additional Voluntary Contributions

The Council administers an in-house AVC Scheme with two designated providers, Prudential and Equitable Life. 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 Fund Accounts.

Each employer in the 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 £322k in 2016-17 (£352k in 2015-16).

19. Related parties

Related party issues arise primarily from the fact that the Council is the administering authority for the Fund. The Council also has various operational, contractual and financial dealings with a number of scheduled and admitted bodies of the Fund, however, these activities do not relate to the Council's role as administering authority for the Fund.

The Council remits monthly contributions to the Fund in arrears, and March 2017 contributions of £1.2M were accrued as at 31 March 2017. Management and administration costs of £1.5M were incurred by the Council and recharged to the Fund in 2016/17. In addition at any given time there may be amounts which have been paid or received by both the Council or the Fund where indebtedness arises between the two. These can arise due to operational necessity or where single transactions have elements relating to both the Council and the Fund and are settled on a regular basis.

Senior officers of the Council are members of the Fund as employee contributors. As at 31 March 2017, four members of the Committee were contributing members of the Fund and one member of the Committee was a deferred member of the Fund. The key management personnel of the Fund are the members of the Committee and the Council's Chief Financial Officer, who is the Fund Administrator. The £1.5M recharge from the council includes a charge of £16,000 for the Fund Administrators time spent working for the Fund.

20. Contingent assets and liabilities

The 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 2017 do not reflect any potential recovery of tax.

IAS26 Disclosures as at 31 March 2017

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 2017.

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 and currently provides benefits based on career average revalued earnings.

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 2016 which was carried out for funding purposes;

- Estimated whole Fund income and expenditure items for the period to 31 March 2017;
- Estimated Fund returns based on Fund asset statements provided (or estimated where necessary) as at 31 March 2017; and
- Details of any new early retirements for the period to 31 March 2017 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 2016.

Member data summary	Number	Salaries/Pensions £000's	Average Age
Actives	26,402	419,329	46
Deferred pensioners	27,749	30,926	46
Pensioners	18,673	85,599	71

Early retirements

We requested data on any early retirements in respect of the Fund from the administering authority for the year ending 31 March 2017.

We have been notified of 71 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 £554,200.

Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2017 is estimated to be 21%. 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 2017 is as follows:

Employer Asset Share - Bid Value	31 March 2017		31 March 2016	
	£000's	%	£000's	%
Equities	1,534,704	56	1,275,200	56
Gilts/LDI	399,793	15	237,991	10
Cash	29,387	1	82,409	4
Other Bonds	313,504	11	286,117	13
Diversified Growth Fund	119,069	4	107,588	5
Property	241,071	9	246,330	11
Infrastructure	98,043	4	29,030	1
Hedge Fund	426	0	1,781	0
Total	2,735,997	100	2,266,446	100

We have estimated the bid values where necessary. The final asset allocation of the Fund assets as at 31 March 2017 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 2017, we have rolled forward the value of the Fund's liabilities calculated for the funding valuation as at 31 March 2016, 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 2017 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2017 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 2016. These assumptions have been updated from those adopted at the last accounting date. The post retirement mortality tables adopted are the S2PA tables with a multiplier of 85%. These base tables are then projected using the CMI 2015 Model, allowing for a long-term rate of improvement of 1.5% per annum.

The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)		31 March 2017	31 March 2016
Retiring today	Males	23.9	22.9
	Females	26.0	25.3
Retiring in 20 years	Males	26.1	25.2
	Females	28.3	27.7

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
- The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

Financial assumptions

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

Assumptions as at	31 March 2017	31 March 2016	31 March 2015
	% p.a.	% p.a.	% p.a.
Discount rate	2.8	3.7	3.3
Pension increases	2.7	2.4	2.4
Salary increases	4.2	3.9	3.9

These assumptions are set with reference to market conditions at 31 March 2017. Our estimate of the duration of the Fund's liabilities is 20 years.

The discount rate is the annualised yield at the 20 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 20 year point on the BoE market implied inflation curve. The RPI assumption is therefore 3.6% 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. 2.7% 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. This is consistent with the approach used at the last accounting date.

Salaries are assumed to increase at 1.5% p.a. above CPI in addition to a promotional scale. However, we have allowed for a short-term overlay from 31 March 2016 to 31 March 2020 for salaries to rise in line with CPI.

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 71 former employees became entitled to unreduced early retirement benefits. The capitalised cost of the additional benefits on IAS19 compliant assumptions is calculated at £2,076,000. This figure has been included within the service cost in the statement of profit or loss.

4. Results and disclosures

We estimate that the net liability as at 31 March 2017 is a liability of £2,085,683,000. The results of our calculations for the year ended 31 March 2017 are set out in the appendices below:

- Appendix 1 sets out the Statement of financial position as at 31 March 2017;
- Appendix 2 details a reconciliation of assets and liabilities during the year; and
- Appendix 3 shows a sensitivity analysis on the major assumptions

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.

Graeme D Muir FFA Partner

Appendix 1 Statement of financial position as at 31 March 2017

Net Pension Asset	As at 31 March 2017	As at 31 March 2016	As at 31 March 2015
	£000's	£000's	£000's
Present Value of Funded Obligation	4,821,680	3,802,083	3,904,470
Fair Value of Scheme Assets (bid value)	2,735,997	2,266,446	2,301,085
Net Liability in balance sheet	**7,557,677**	**6,068,529**	**6,205,555**

*Present value of funded obligation consists of £4,627,930,000 in respect of vested obligation and £193,750,000 in respect of non-vested obligation.

Appendix 2 Asset and benefit obligation reconciliation for the year to 31 March 2017

Reconciliation of opening and closing balances of the present value of the defined benefit obligation	Year to 31 March 2017	Year to 31 March 2016
	£000's	£000's
Opening defined benefit obligation	3,802,083	3,904,470
Current service cost	121,527	134,427
Interest cost	139,222	127,655
Change in financial assumptions	953,344	(292,671)
Experience loss/(gain) on defined benefit obligation	57,811	-
Liabilities assumed / (extinguished) on settlements	(173,300)	-
Estimated benefits paid net of transfers in	-	-
Past service costs, including curtailments	(108,061)	(103,315)
Contributions by Scheme participants and other employers	2,076	4,693
Unfunded pension payments	26,978	26,824
Closing defined benefit obligation	4,821,680	3,802,083

Reconciliation of opening and closing balances of the fair value of Scheme assets	Year to 31 March 2017	Year to 31 March 2016
	£000's	£000's
Opening fair value of Fund assets	2,266,446	2,301,085
Interest on assets	83,865	76,002
Return on assets less interest	387,144	(113,056)
Other actuarial gains/(losses)	-	-
Administration expenses	(1,834)	(1,600)
Contributions by employer including unfunded	81,459	80,506
Contributions by Scheme participants	26,978	26,824
Estimated benefits paid plus unfunded net of transfers in	(108,061)	(103,315)
Settlement prices received / (paid)	-	-
Closing Fair value of Fund assets	2,735,997	2,266,446

The total return on the Fund's assets for the year to 31 March 2017 is £471,009,000.

Appendix 3 Sensitivity Analysis

	£000s	£000s	£000s
Adjustment to discount rate	**+0.10%**	**0.00%**	**-0.10%**
Present value of total obligation	4,729,478	4,821,680	4,915,772
Projected service cost	**172,947**	**177,249**	**181,662**
Adjustment to long term salary increase	**+0.10%**	**0.00%**	**-0.10%**
Present value of total obligation	4,835,462	4,821,680	4,808,010
Projected service cost	**177,249**	**177,249**	**177,249**
Adjustment to pension increases and deferred revaluation	**+0.10%**	**0.00%**	**-0.10%**
Present value of total obligation	4,901,989	4,821,680	4,742,971
Projected service cost	**181,662**	**177,249**	**172,939**
Adjustment to life expectancy assumptions	**+1 Year**	**None**	**-1 Year**
Present value of total obligation	5,001,183	4,821,680	4,648,822
Projected service cost	**182,902**	**177,249**	**171,770**

Portfolio Valuation

	Market Value 31/03/2016		Market Value 31/03/2017	
	£'000s	%	£'000s	%
Fixed interest				
Fixed Interest	286,117	12.57	313,504	11.45
Inflation Hedging Bonds	237,991	10.46	399,793	14.61
Total	**524,108**	**23.03**	**713,297**	**26.06**
UK Equities				
Internal	365,654	16.06	461,719	16.87
Standard Life	71,935	3.16	-	-
AXA Framlington	107,992	4.74	185,414	6.77
Schroders	38,612	1.70	47,615	1.74
Total	**584,193**	**25.66**	**694,748**	**25.38**
Overseas equities				
Allianz Global Equity	227,083	9.98	270,886	9.90
Investec Global Equity	166,965	7.34	193,966	7.09
Wellington Global Equity	166,341	7.31	206,869	7.56
JP Morgan (Emerging Markets)	65,186	2.86	91,232	3.33
Total	**625,575**	**27.49**	**762,953**	**27.88**
Property	246,330	10.82	241,071	8.81
Private Equity	65,432	2.88	77,003	2.81
Cash	91,830	4.03	30,291	1.11
Absolute Return Funds	1,781	0.08	426	0.02
Diversified Growth Fund	107,588	4.73	119,069	4.35
Infrastructure	29,030	1.28	98,043	3.58
Total	**2,275,867**	**100.00**	**2,736,901**	**100.00**

Glossary of terms

Actuarial Valuation
An Actuarial Valuation is a three yearly valuation of the Fund undertaken by the Actuary to ensure that the Pension Fund is sufficiently well managed and that its assets meet its liabilities. Employer contribution rates are set as part of the valuation process.

Actuary
An Actuary is a professionally qualified independent person appointed by the administering authority in order to value the Pension Fund and therefore set contribution rates.

Additional Pension Contributions
Additional Pension Contributions are a way to purchase additional pension regularly over a period of time, or through a one-off lump sum. The maximum amount of additional pension you can buy is £6,755 (this figure will increase each year in line with the cost of living).

Additional Voluntary Contributions
These are extra payments to increase your future benefits. You can also pay AVCs to provide additional life cover. All local government pension funds have an AVC arrangement in which you can invest money through an AVC provider, often an insurance company or building society. AVCs are deducted directly from your pay and attract tax relief.

Admitted Bodies
The taking on of ex-public sector employees usually means taking on existing pension and redundancy rights.

Asset Allocation
The 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.

Benchmark
A measure against which pension fund management performance is judged. A series of appropriate indices is chosen which reflects the requirements of the trustees. Usually a target is set which requires an agreed percentage better performance from the fund than the benchmark.

Bonds
A bond is a debt investment in which an investor loans money to an entity (typically corporate or governmental) which borrows the funds for a defined period of time at a variable or fixed interest rate.

Consumer Prices Index
The Consumer Price Index (CPI) is the official measure of inflation of consumer prices in the United Kingdom. This is currently the measure used to adjust your pension account at the end of every scheme year when you are an active member of the scheme and after you have ceased to be an active member. The adjustment ensures your pension keeps up with the cost of living.

Deferred Pensioners
A deferred member is one that has stopped paying into the scheme but is not yet receiving a pension. As a deferred member you will receive an Annual Benefit Statement which shows the benefits you have accrued and any pension increase that has been applied and how much they will be worth on retirement.

Emerging Markets
An emerging market economy is a nation's economy that is progressing toward becoming advanced, as shown by some liquidity in local debt and equity markets and the existence of some form of market exchange and regulatory body.

Equities
Shares in a company which are bought and sold on a stock exchange. Owning shares makes shareholders part owners of the company in question and usually entitles them to a share of the profits (if any), which are paid as dividends.

Fixed Interest 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 Administrator
The person who is responsible for managing the pension fund.

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.

Net Assets
Net Assets is defined as total assets minus total liabilities.

Pooled Funds
A pooled fund is a unit trust which investors contribute funds that are then invested, or managed, by a third party.

Private Equity
Private equity is capital that is not noted on a public exchange. Private equity is composed of funds and investors that directly invest in private companies, or that engage in buyouts of public companies, resulting in the delisting of public equity.

Scheduled Body
A scheduled body is a statutorily defined body within the scheme's regulations and has a statutory obligation to participate in the Scheme.

Stock Lending
Stock lending is the act of loaning a stock, derivative or other security to an investor or firm. Securities lending requires the borrower to put up collateral, whether cash, security or a letter of credit. When a security is loaned, the title and the ownership are also transferred to the borrower.

All leaflets can be made available in audio tape, large print and Braille, or alternative languages on request.

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Pension Fund Committee

Dorset County Council

Date of Meeting	13 September 2017
Officer	Pension Fund Administrator
Subject of Report	**Voting Activity**
Executive Summary	This report gives an update on the Fund's voting activity in the year 2016/17.
Impact Assessment:	Equalities Impact Assessment: N/A
	Use of Evidence: N/A
	Budget: N/A
	Risk Assessment: N/A
	Other Implications: N/A
Recommendation	That the Committee note the Fund's voting activity for the year 2016/17.
Reason for Recommendation	To ensure that appropriate corporate governance policies are in place.

Appendices	Appendix 1 – Voting Issues Policy Appendix 2 – Summary of Voting for the year 2016/17 Appendix 3 – Summary of Engagement of Pooled Fund Managers
Background Papers	ISS Proxy Voting Record
Report Originator and Contact	Name: David Wilkes Tel: (01305) 224119 Email: d.wilkes@dorsetcc.gov.uk

1. Summary of Voting for the year 2016/17

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 Institutional Shareholder Services (ISS) for the UK equity portfolio and by the Allianz, Investec and Wellington, the Fund's global equities managers. The Fund is also a member of the Local Authority Pension Fund Forum (LAPFF) which researches into areas of corporate governance, and social responsibility, and it is possible to override any decision made by ISS in light of information which may be received from the LAPFF.

1.2 The Voting Policy of the Dorset Fund applies to those assets managed in segregated accounts by the Internal Manager, Allianz, Investec and Wellington. However, the equities managed by AXA Framlington 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.

1.3 During the year to 31 March 2017, there were 6,405 individual votes on the UK portfolio, and ISS voted against 142 and abstained on 28 of the resolutions during this period. A summary of the Fund's UK voting activity for the year ended 31 March 2017 is included in Appendix 2 to this report. In addition there were 5,805 individual votes on the global equities portfolio, and the Fund's managers voted against 301 and abstained on 56 of the resolutions during this period.

1.4 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.

1.5 During the twelve months ended 31 March 2017 for the UK portfolio there were 78 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. Daejan Holdings) or the appointment of a non-independent members of the audit or remuneration committees (e.g. Jardine Lloyd Thompson).

1.6 In addition there where 66 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. JD Wetherspoon), uncapped bonuses (e.g. Telecom Plus), and significant salary increases for executive directors not explained in detail (e.g. Coca Cola plc).

1.7 Each pooled manager was asked for details of voting activity in the year 2016/17, examples of instances in which they had concerns about companies in which the fund held shares, how these concerns were addressed and whether they were collaborating with other investors in respect of these issues. Details are included in Appendix 3.

Richard Bates
Fund Administrator
September 2017

Appendix 1

Dorset County Pension Fund
Voting Issues Policy

	Issue	Action for non-compliance
	Leadership	
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.
	Effectiveness	
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.
	Accountability	
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.
	Remuneration	
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.
	Relations with Shareholders	
9.	Changes to the articles of association should not adversely affect existing shareholders rights.	Vote against the resolutions.
	Other	
10.	Uncontroversial issues.	Vote for the resolutions.

Appendix 2

Summary of Voting for year ended 31 March 2017 – UK Equities

This summary concerns 395 Individual Company Meetings at which there were 6,405 Proposed Resolutions.

Meeting Type	Total Meetings
Annual General Meeting	334
AGM/Special Meetings	1
Special Meetings	52
Court Meetings	8
Total	**395**

Proponent	Total Resolutions
Management	6,399
Shareholders	6
Total	**6,405**

Proposal	Voted for	Voted against	Abstained	Total Votes
Takeover / Reorganisation / Merger / Disposal	38	9	0	**47**
Capitalisation / Share Capital	1,122	1	1	**1,124**
Directors	2,828	60	18	**2,906**
Salary and Compensation	469	61	5	**535**
Environmental, Social, and Governance	3	1	0	**4**
Routine / Business	1,775	10	4	**1,789**
Total	**6,235**	**142**	**28**	**6,405**

Appendix 3

Summary of Engagement by Pooled Fund Managers

Schroders

Summary of Engagement

Schroders issue a quarterly Corporate Governance, Voting, and Stewardship Report[1] summarising contact with companies. Schroders engage with companies concerning maters 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 example of their approach:

Zotefoams
The Chair of the Remuneration Committee contacted us to ask for our feedback on the company's proposed remuneration policy. We stressed that our main concern relates to the salary increases which have been increasing significantly for a number of years for the CEO. From over £189k in 2014 to over £247k in 2017 with it moving to £272,500 in 2018 are sizable increases. With the LTIP potential maximum increasing to 150% there is potential for material increases in single figure payments. We are supportive of the TSR element being calculated relative to FTSE small cap and 25% deferral with a one year post-cessation of employment. We do feel that best practice is now 200% shareholding requirement of a company of their size. The company have since responded and have reduced their overall salary and increased shareholding guidelines to 200%. The current package represents an aligned return on management's performance.

Tate & Lyle PLC
As part of the on-going sugar roundtable project, we contacted the company to communicate our expectations on future reporting, as outlined in our final version of the Investor Expectations on Sugar, Obesity and Non-Communicable diseases. Our aim is to improve reporting and transparency around the five key principles outlined in the expectations document.

Anglo American plc
As part of our work to determine how companies manage process safety, we held a call with the safety manager of Anglo American. We were interested to learn more about how management is incentivised on safety, how Anglo American's emergency response mechanisms worked, and understand which data were being tracked. Initially when Anglo first started to track process safety, it found steady improvements in process safety data year on year, but little improvement in fatalities. This prompted a change in strategy and terminology. Process safety is now managed by operational risk management, which identifies all critical risks not limited to safety. The company is improving its reporting on leading indicators, and pointed out that high potential incidents were useful but high potential hazards were even more useful. It is clear to us that Anglo American is

beginning to apply more behind the scenes than it reports, and process safety management is rising in profile within the company. As with its large diversified mining peers, Anglo is ahead of most of the sector but behind where the sector ought to be. We again encouraged better disclosure of leading indicators and process safety management systems.

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 including on environmental, social and governance matters. During 2016-17 AXA Framlington voted on 1,042 resolutions at 75 General Meetings, and either abstained or voted against 14 resolutions.

Their engagement priorities during the relevant period include:

- **Mitigation of Carbon and Climate Risk:** AXA continue their engagement with relevant companies in the Oil and Gas, Mining and Utilities sector on their climate change strategy directly and also as part of the Institutional Investors Group on Climate Change (IIGCC) coordinated collaborative engagement.

- **Corporate Lobbying**: AXA have been meeting with companies in the automobile sectors on their preparedness to meet emerging emissions regulations that will impact on the long-term performance of these companies and, which if not properly managed, has material risks for investors in that sector.

- **Human Rights in the Extractives Sector:** The objective of this engagement is to encourage companies in the Oil and Gas and Mining sectors to enhance the implementation of the UN Guiding Principles on Business and Human rights within their strategy and business operations and to improve the level of disclosure on their policy and process for managing these risk issue.

- **UN Global Compact Engagement:** AXA have a structured and long-term engagement with companies whose practices demonstrably are in breach of one or more of the principles of the UN Global Compact and where the Company has not taken action to correct the breach.

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

Company	Issue	Action
AstraZeneca	Strategy and Performance	Discussions with Board on company strategy and alignment of the remuneration policy with performance.
BP plc	Climate Change.	Ongoing engagement asking the company to improve disclosure around strategy and mitigation in relation to the 2 degree global warming targets of COP 21 and general climate change risks.

BT Group plc	Financial Reporting	Discussion of Board and Audit Committee oversight of financial reporting and assurance to shareholders.
GlaxoSmithKline	Remuneration	Discussions with Board on company strategy and alignment of the remuneration policy with performance.
HSBC	Succession Planning	Discussions with the Company on corporate governance issues including succession planning for Chairman and Chief Executive positions.
RoyalDutchShell	Climate Change	Ongoing engagement asking the company to improve disclosure around strategy and mitigation in relation to the 2 degree global warming targets of COP 21 and general climate change risks.
Weir Group	Remuneration	Discussions on the company's remuneration policy and practices and alignment with long-term shareholder interests.

DORSET COUNTY PENSION FUND

UK Equity
Report for 12 months ending 30 June 2017

- Internal Managers Report
- Valuation Report
- Transaction Report

Dorset County Pension Fund Committee – 13 September 2017

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 (£702.4M at 30 June 2017) 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 June 2017, the FTSE All Share index was made up of 643 individual stocks ranging from Royal Dutch Shell Plc, the largest UK company (market value £168.3 Billion) down to the smallest in the index, The Lindsell Train Investment Trust Plc (market value £1.3 Million). Direct investment is made in the largest 350 companies, which comprises 96.4% by value of the index. Investment in the smallest companies which make up 3.6% 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 positive performance from the UK markets in the three months to June 2017 apart from the FTSE 100 which fell 0.1% (10 points). The Small Cap ex Investment Trusts was the best performing major UK index rising 2.9% (207 points). In comparison, performance from major world indices was equally strong with the Hang Seng the best performing index rising 6.8% (1,648 points). The exceptions were the CAC 40 which was flat and the Shanghai Composite which fell 0.9% (30 points).

4.2 Over the twelve month period, all major UK equity markets rose. The Small Cap ex Investment Trusts was the best performing index rising 28.4% (1,637 points), whilst the FTSE100 was the worst performing UK index rising 12.4% (808 points). The Nikkei 225 was the best performing world index rising 28.6% (4,458 points), whilst the Shanghai Composite was the worst performing index rising 9.0% (263 points). The Dow Jones rose 19.1% (3,420 points) over the same period.

4.3 On 26 May 2017 the FTSE100 closed at a new all-time high of 7,547.6, whilst sterling suffered its worst falls since January and opinion polls narrowed sharply ahead of the General Election. This record high was reached after five straight weeks of gains. With 60% of the FTSE100 revenues coming from outside the UK, a weaker pound supports export-oriented companies, while making shares cheaper for overseas investors. The FTSE250 also reached a record high of 20,024.9 on 26 May 2017.

4.4 On 19 June 2017 the Dow Jones closed at a record high of 21,529.0 as technology shares rebounded from a recent bout of falls to lead the market higher. Notable gainers included Apple Inc., Facebook Inc. and Amazon.com Inc. The S & P 500 also closed at a record high of 2,453.46 on 19 June 2017. This was partly due to the strengths in the overseas markets and benefitted from political news from Europe.

Three Months to 30 June 2017

Country	Index	31/03/2017	30/06/2017	% Change
UK	FTSE100	7,322.9	7,312.7	-0.1
UK	FTSE250	18,971.8	19,340.2	1.9
UK	FTSE350	4,046.6	4,055.0	0.2
UK	Small Cap	5,430.5	5,585.0	2.8
UK	Small Cap ex Investment Trusts	7,196.1	7,402.6	2.9
UK	All Share	3,990.0	4,002.2	0.3
Japan	Nikkei225	18,909.3	20,033.4	5.9
US	Dow Jones	20,663.2	21,349.6	3.3
Hong Kong	Hang Seng	24,116.6	25,764.6	6.8
France	Cac 40	5,122.5	5,120.7	0.0
Germany	Dax	12,312.9	12,325.1	0.1
China	Shanghai Composite	3,222.5	3,192.4	-0.9

Twelve Months to 30 June 2017

Country	Index	30/06/2016	30/06/2017	% Change
UK	FTSE100	6,504.3	7,312.7	12.4
UK	FTSE250	16,271.1	19,340.2	18.9
UK	FTSE350	3,573.9	4,055.0	13.5
UK	Small Cap	4,471.6	5,585.0	24.9
UK	Small Cap ex Investment Trusts	5,765.6	7,402.6	28.4
UK	All Share	3,515.5	4,002.2	13.8
Japan	Nikkei225	15,575.9	20,033.4	28.6
US	Dow Jones	17,930.0	21,349.6	19.1
Hong Kong	Hang Seng	20,794.4	25,764.6	23.9
France	Cac 40	4,237.5	5,120.7	20.8
Germany	Dax	9,680.1	12,325.1	27.3
China	Shanghai Composite	2,929.6	3,192.4	9.0

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:

Performance - Internally Managed

Period	Dorset %	Index %	Relative %
3 months to 30/06/2017	1.24	1.33	-0.09

The internally managed portfolio has underperformed the benchmark over the three month period to 30 June 2017 by 0.09% which is within the allowed tolerances of +/- 0.5%.

5.2 **FINANCIAL YEAR TO 30 JUNE 2017**

	Market Values		Performance	Benchmark	Benchmark
	31/03/2017	**30/06/2017**	**%**	**%**	**Description**
	£M	£M			
Internal	461.7	461.0	1.2	1.3	FTSE 350
AXA Framlington	185.4	190.0	2.5	1.4	All-Share
Schroders	47.6	51.4	8.1	2.9	Small Cap*
Total	694.7	702.4	2.1	1.3	

*FTSE Small Cap ex Investment Trusts

The figures for the whole UK equity portfolio show:

- The combined portfolio has outperformed its benchmark over the financial year to date by 0.8%.
- Schroders outperformed its benchmark by 5.2% and AXA Framlington outperformed its benchmark by 1.1%.

THREE AND FIVE YEAR ANNUALISED PERFORMANCE

	Three Years		Five Years	
	Performance	**Benchmark**	**Performance**	**Benchmark**
	%	**%**	**%**	**%**
Internal	7.3	7.3	10.4	10.4
AXA Framlington	6.4	7.4	10.7	10.6
Schroders	16.3	10.3	19.7	18.4

The figures for the whole UK equity portfolio show:

- Over both the three and five year period the Internally Managed Fund has matched its benchmark, within the agreed tolerance.
- AXA Framlington underperformed their benchmark over the three year period by 1.0% but outperformed its benchmark by 0.1% over five years.
- Schroders outperformed its benchmark over three years by 6.0% and by 1.3% over five years.

5.3 The table below shows how the three UK Equity manager's valuations have changed over the financial year to 31 March 2017.

MARKET VALUE TO 30 JUNE 2017

	Market Value		% of Total UK Equity as at	
	31/03/17	30/06/17	31/03/16	31/12/16
Manager	£M	£M	%	%
Internal	461.7	461.0	66.4	65.6
AXA Framlington	185.4	190.0	26.7	27.1
Schroders	47.6	51.4	6.9	7.3
Total	**694.7**	**702.4**	**100.0**	**100.0**

5.4 Officers met with the fund managers for both AXA Framlington and Schroders in May, and each external manager's commentary is summarised below:

AXA Framlington – 1st Quarter 2017/18

Performance: During the quarter, the fund outperformed the FTSE All Share with a return of 2.5% against the benchmark of 1.4%. Over the three years, the fund underperformed its benchmark by 1.0% and outperformed by 0.1% over the five year period. The general election result in the quarter was unsettling to UK equities whilst Brexit confusion creates ongoing uncertainty.

Activity: BTG, who licence, develop and commercialise pharmaceuticals had good results in the quarter and was the biggest contributor to relative performance. London Stock Exchange shares were the second best contributor to relative returns post the collapse of their merger with Deutsche Borse. Sector allocation was positive and being overweight in industrials was the most positive contributor to relative returns. ITV was the worst negative influence on relative returns as worries persist on a decline in UK advertising. Being underweight in financials was the biggest negative influence on relative returns. There were no new holdings initiated, but stocks added to included BP, Royal Dutch Shell, Bodycote, Rentokil and Severn Trent. The final balance of the BT holding was sold. Exposure to the automotive sector was reduced with part sales of GKN and Auto Trader. Exposure was reduced to the UK consumer by part sales of holdings in ITV, Rightmove, Paddy Power Betfair and Dixons Carphone.

Outlook and Strategy: The UK General Election result in June caused volatility and uncertainty at the end of the quarter. UK domestic stocks are still under pressure regarding the outlook for consumption pre Brexit and will continue to underperform due to wage inflation and rising costs. The uncertainty created by the nature of the negotiations is unhelpful for confidence and is causing much volatility. Interest rate rises are being deferred due to the fragile economic outlook with falling global inflation. The US Federal Reserve appear to have deferred interest rate rises for the moment. Better growth in Europe and some recovery in Asia Pacific is helping sentiment regarding global growth. The weak dollar appears to be a reflection on the Trump Presidency.

Schroders – 1st Quarter 2017/18

Performance and Market Summary: During the quarter, the fund returned 8.1% against the Small Cap benchmark of 2.9%. Over the twelve month period the Fund returned 45.6% against its benchmark of 28.4%. Over three years the Fund outperformed the benchmark by 6.0% and outperformed by 1.3% over the five year period.

Activity: It was an eventful quarter for the UK equity market amid uncertainty over the economic outlook, the political backdrop at home and abroad, and the future path of monetary policy to be taken by the world's central banks. UK equities on the whole performed well in May, led by the FTSE100 which rallied as sterling weakened as the polls narrowed ahead of the UK General Election, and amid a rotation back towards defensive sectors and away from cyclicals.

Many of the gains in April and May were undone in June. UK domestic cyclicals reversed as sterling weakened further as the reality of a hung parliament materialised. An increasingly uncertain outlook for consumer spending also weighed on UK-focused sectors. Meanwhile, the defensive sector fell back as long-dated government bond yields in developed markets recovered on the back of comments from European Central Bank Governor Mario Draghi and Bank of England Governor Mark Carney.

These comments were taken to signal a shift towards tighter monetary policy, while the US Federal Reserve raised base rates by a further 25 basis points.

Over the three months to 30 June 2017, the fund outperformed its benchmark by 5.2%. The most significant contributor was Blue Prism which announced a series of upgrades to its revenue expectations over the next two years. Warpaint delivered a strong set of results and upgrades to earnings forecasts at the start of May. Dart Group continued to perform well as the market warmed to its expansion plans to Stansted outside of its northern homeland of Leeds, Manchester, Edinburgh and Glasgow. Focusrite, a global music and audio production company, continued to successfully go about its business and was accordingly rewarded in the market.

With respect to detractors, the two most significant contributors were marked down for their exposure to the UK consumer, in the form of clothing trading retailer Ted Baker and affordable homes for MJ Gleeson. Another weak performer was Impellam, as the market worried that a period of economic uncertainty would hinder growth at this recruitment company. Lamprell continued to struggle as the market continued to take a determinedly sceptical view of the company's prospects, despite it announcing a joint venture with Aramco and Hyundai, proving it with a point of entry into the Saudi Arabian market.

A more energetic approach to recycling capital in successful investments were continued over the course of the quarter. With regard to disposals, profits were taken in a number of names over the period such as Cohort, Blue Prism, iomart, Microgen and Taptica. Similarly, profits were taken in several positions but still left the fund with meaningful positions in those names. This approach was taken across the market cap range.

The proceeds of these divestments were invested in a number of new names as well as topping up existing holdings where there is still some value to be exploited. One addition was a flotation, namely K3 Capital, providing business transfer, brokerage and corporate finance services. EKF Diagnostics came under new management which promptly refocused the group on where it made the best return on its capital and sold or closed those part of its business which were impairing cash flow generation. New shares were bought upon this new strategy being declared. IQE was purchased as its ability to consistently manufacture miniature lasers for use in smartphone facial recognition technology means it is well placed to grow rapidly over the next couple of years.

<u>Outlook and Strategy</u>: UK equity returns were positive over the second quarter of 2017 but markedly less than those in the first quarter. This was largely a result of the combined impact of lower oil prices, a moderately higher exchange rate versus the dollar and heightened political risk after the surprise result of the General Election. Consensus aggregate earnings dipped marginally during the second quarter but still showed earnings increasing by approximately 20% in 2017. As the impact of higher oil prices unwinds, aggregate earnings growth is forecast to drop in 2018.

As the recovery in economic activity has become fully established, and growth has been maintained at a higher rate than had generally expected in the aftermath of the EU referendum, the bias in monetary policy is naturally starting to shift towards reversing some of the easing in policy conditions implemented after the referendum.

Companies are continuing to use the environment of low interest rates to make acquisitions to supplement organic growth. This is being well received by the market and is a trend that is expected to continue. Seeking organic growth will continue, pricing power where possible and avoiding companies with too much debt. Merger and

Acquisitions activity is expected to continue, particularly in light of continued sterling weakness.

Review of Activity

6.1 There was one corporate action relating to the internally managed portfolio in the quarter to 30 June 2017:

- In June 2017, the merger of Henderson Group and Janus Capital was announced. The combined entity, called Janus Henderson, was delisted from the London Stock Exchange and will continue to trade on the New York and Australian markets. Proceeds of the merger were £0.6M.

6.2 Trading activity on the internally managed portfolio took place three times in the quarter:

- 19 April 2017: 8 purchases (£1.3M) and 3 sells (£0.4M), with a net purchase of £0.9M.
- 27 April 2017: 13 purchases (£0.4M) and 75 sells (£1.6M), with a net sale of £1.2M.
- 19 May 2017: 2 purchases (£0.5M) and 2 sells (£0.1M), with a net purchase of £0.4M.

7 Stock Lending

7.1 Stock lending of equities is managed in the UK on an agency basis by HSBC, and on global equities by Allianz, Investec and Wellington.

7.2 For the financial year to 30 June 2017, net income from UK stock lending was £50,994 and overseas stock lending income was £13,876, giving a total of £64,870.

David Wilkes
Finance Manager (Treasury and Investments)
September 2017

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DORSET COUNTY PENSION FUND

VALUATION OF UK EQUITY PORTFOLIO 30 JUNE 2017

Description	Holding	Book Cost £000's	Market Price £s	Market Value £000's
UK EQUITIES				
MINING				
ACACIA MINING	33,000	147.93	2.98	98.18
ANGLO AMERICAN ORD USD0.54	269,390	2,793.81	10.24	2,758.55
ANTOFAGASTA ORD GBP0.05	73,300	149.06	8.00	586.03
BHP BILLITON ORD USD0.50	435,426	2,393.30	11.76	5,118.43
CENTAMIN EGYPT LTD	226,000	349.07	1.55	349.62
FRESNILLO	35,500	88.20	14.86	527.53
GLENCORE XSTRATA	2,403,943	5,642.72	2.87	6,904.12
HOCHSCHILD MINING ORD GBP0.25	49,000	108.90	2.74	134.36
KAZ MINERALS	53,600	89.80	5.18	277.38
PETRA DIAMONDS	106,900	169.67	1.09	116.63
POLYMETAL INT'L	53,800	514.30	8.61	463.22
RANDGOLD RESOURCES ORD USD0.05	19,250	485.32	68.05	1,309.96
RIO TINTO ORD GBP0.10 (REG)	249,450	2,868.44	32.42	8,087.17
VEDANTA RESOURCES ORD USD0.10	18,500	75.07	6.42	118.77
Total MINING		**15,875.60**		**26,849.96**
OIL & GAS PRODUCERS				
AFREN PLC	218,000	215.93	0.00	0.00
BP ORD USD0.25	3,934,600	13,132.89	4.43	17,422.41
CAIRN ENERGY ORD GBP0.06153846153	119,207	236.32	1.72	205.04
NOSTRUM OIL & GAS	17,700	84.36	4.81	85.19
ROYAL DUTCH 'B' ORD EUR0.07	1,659,961	20,559.58	20.63	34,236.70
TULLOW OIL ORD GBP 0.10	284,672	914.95	1.51	428.72
Total OIL & GAS PRODUCERS		**35,144.02**		**52,378.05**
CHEMICALS				
CRODA INTL ORD GBP0.10	26,995	211.15	38.84	1,048.49
ELEMENTIS	95,500	125.62	2.94	280.87
JOHNSON MATTHEY ORD GBP1.00	39,957	441.88	28.71	1,147.17
SYNTHOMER	55,565	114.54	4.88	271.16
VICTREX ORD GBP0.01	17,000	111.61	18.76	318.92
Total CHEMICALS		**1,004.81**		**3,066.59**
CONSTRUCTION & MATERIALS				
BALFOUR BEATTY ORD GBP0.50	142,920	345.98	2.70	386.31
CRH PLC	171,000	2,421.51	27.34	4,675.14
IBSTOCK PLC	56,900	114.87	2.46	139.75
KELLER GROUP ORD GBP0.10	15,000	143.63	8.78	131.63
KIER GROUP ORD GBP0.01	19,139	256.60	12.25	234.45
MARSHALLS GROUP ORD GBP0.25	43,000	152.97	3.75	161.25
POLYPIPE GROUP	41,000	127.39	3.82	156.70
Total CONSTRUCTION & MATERIALS		**3,562.93**		**5,885.23**
FORESTRY & PAPER				
MONDI PLC EUR0.20	76,250	272.54	20.13	1,534.91

Description	Holding	Book Cost £000's	Market Price £s	Market Value £000's
Total FORESTRY & PAPER		**272.54**		**1,534.91**
AEROSPACE & DEFENCE				
BAE SYSTEMS ORD GBP0.025	652,116	1,448.96	6.34	4,131.15
COBHAM ORD GBP0.25	499,097	450.50	1.30	646.83
MEGGITT ORD GBP0.05	162,187	421.07	4.77	773.47
QINETIQ ORD GBP0.01	120,000	215.13	2.70	324.24
ROLLS ROYCE ORD GBP0.20	342,378	1,160.94	8.91	3,050.59
SENIOR	90,000	127.75	2.34	210.78
ULTRA ELECTRONICS ORD GBP0.05	14,500	125.15	20.47	296.82
Total AEROSPACE & DEFENCE		**3,949.50**		**9,433.88**
ELECTRONIC & ELECTRICAL EQUIPMENT				
HALMA ORD GBP0.10	78,517	154.65	10.99	862.90
MORGAN ADVANCE MATERIALS	61,000	125.55	2.83	172.75
RENISHAW ORD GBP0.20	7,500	61.32	36.20	271.50
SPECTRIS ORD GBP0.05	24,500	163.05	25.23	618.14
Total ELECTRONIC & ELECTRICAL EQUIPMENT		**504.57**		**1,925.29**
INDUSTRIAL ENGINEERING				
BODYCOTE INT ORD GBP 0.10	39,552	174.21	7.53	297.83
HILL & SMITH	16,200	160.31	13.80	223.56
IMI ORD GBP0.25	56,968	208.81	11.94	680.20
ROTORK ORD GBP0.05	180,000	128.82	2.35	423.72
SPIRAX-SARCO ORD GBP0.25	15,021	175.55	53.45	802.87
WEIR GROUP ORD GBP0.125	44,950	244.15	17.31	778.08
Total INDUSTRIAL ENGINEERING		**1,091.85**		**3,206.26**
AUTOMOBILES & PARTS				
GKN ORD GBP0.50	354,544	435.74	3.26	1,155.10
Total AUTOMOBILES & PARTS		**435.74**		**1,155.10**
HOUSEHOLD GOODS & HOME CONSTRUCTION				
BARRATT DEVEL ORD GBP0.10	207,634	515.33	5.63	1,168.98
BELLWAY ORD GBP0.125	25,500	213.21	29.74	758.37
BERKELEY GP UNITS	26,680	213.77	32.25	860.43
BOVIS HOMES GROUP ORD GBP0.50	29,000	145.27	9.55	276.95
COUNTRYSIDE	40,800	99.70	3.40	138.88
CREST NICHOLSON ORD GBP0.10	52,000	189.91	5.23	271.96
GALLIFORD TRY ORD GBP0.05	17,200	120.54	11.57	199.00
MCCARTHY & STONE ORD GBP0.20	109,700	242.79	1.65	180.68
PERSIMMON ORD GBP0.10	63,045	440.71	22.41	1,412.84
RECKITT BENCKISER ORD GBP0.10	129,600	2,239.85	77.82	10,085.47
REDROW ORD GBP0.10	46,928	85.97	5.47	256.46
TAYLOR WIMPEY ORD GBP0.25	673,100	415.41	1.76	1,185.33
Total HOUSEHOLD GOODS & HOME CONSTRUCTION		**4,922.44**		**16,795.35**
BEVERAGES				**0.00**
BARR (A G)	18,000	46.45	6.12	110.16
BRITVIC ORD GBP0.20	52,000	185.30	6.92	359.58
COCA-COLA HBC AG-CDI	40,400	685.07	22.58	912.23
DIAGEO PLC ORD GBP0.28935	519,277	4,101.87	22.69	11,779.80
Total BEVERAGES		**5,018.68**		**13,161.77**

Description	Holding	Book Cost £000's	Market Price £s	Market Value £000's
FOOD PRODUCERS				
ASSD BRITISH FOODS ORD GBP0.0568	71,860	543.26	29.35	2,109.09
CRANWICK	10,500	105.72	28.00	294.00
DAIRY CREST ORD GBP0.25	30,000	148.73	5.99	179.70
GREENCORE GROUP	144,020	246.76	2.46	354.29
TATE & LYLE ORD GBP0.25	96,100	315.54	6.62	636.18
Total FOOD PRODUCERS		**1,360.01**		**3,573.26**
HEALTH CARE EQUIPMENT & SERVICES				
CONVATEC GROUP	220,900	584.08	3.19	704.89
MEDICLINIC	81,000	771.85	7.42	600.62
NMC HEALTH PLC	16,900	130.17	21.85	369.27
SMITH & NEPHEW ORD USD0.2	182,972	611.14	13.25	2,424.38
SPIRE HEALTHCARE GRP	60,000	184.39	3.24	194.10
UDG HEALTHCARE	51,000	165.68	8.65	440.90
Total HEALTH CARE EQUIPMENT & SERVICES		**2,447.30**		**4,734.15**
PERSONAL GOODS				**0.00**
BURBERRY GROUP ORD GBP0.0005	91,672	337.47	16.61	1,522.67
PZ CUSSONS ORD GBP0.01	39,070	66.56	3.42	133.54
SUPERGROUP PLC	11,000	115.75	14.92	164.12
TED BAKER PLC	6,000	71.01	23.87	143.22
UNILEVER ORD GBP0.031111	248,728	2,175.57	41.55	10,334.65
Total PERSONAL GOODS		**2,766.37**		**12,298.20**
PHARMACEUTICALS & BIOTECHNOLOGY				
ASTRAZENECA ORD USD0.25	260,200	5,407.57	51.35	13,361.27
BTG	80,000	264.78	6.98	558.00
DECHRA PHARMACEUTICALS	19,000	110.31	16.97	322.43
GENUS	13,000	113.02	17.72	230.36
GLAXOSMITHKLINE ORD GBP0.25	1,012,588	6,433.34	16.35	16,550.75
HIKMA PHARMA ORD GBP0.10	29,000	210.19	14.68	425.72
INDIVIOR	150,550	109.12	3.13	470.77
SHIRE ORD GBP0.05	185,600	5,073.50	42.38	7,864.80
VECTURA GROUP	140,600	238.11	1.12	157.19
Total PHARMACEUTICALS & BIOTECHNOLOGY		**17,959.94**		**39,941.29**
TOBACCO				
BRITISH AMERICAN TOBACCO ORD GBP0.25	384,400	5,377.31	52.34	20,119.50
IMPERIAL BRANDS ORD GBP0.10	198,662	2,651.26	34.49	6,850.86
Total TOBACCO		**8,028.57**		**26,970.36**
GENERAL RETAILERS				
AO WORLD	35,000	57.76	1.16	40.60
B&M EUROPEAN VALUE RETAIL SA	142,000	487.37	3.39	480.95
CARD FACTORY	65,300	187.00	2.97	193.61
DEBENHAMS ORD GBP0.01	264,000	322.73	0.43	113.52
DIGNITY	10,411	127.73	24.86	258.82
DIXONS CARPHONE	207,453	715.89	2.84	588.34
DUNELM GROUP	20,000	62.01	6.02	120.30
HALFORDS GRP ORD GBP0.01	43,000	136.22	3.42	147.02
INCHCAPE ORD GBP0.25	87,200	225.95	7.55	657.92
JD SPORTS FASHION PLC	76,600	91.07	3.50	268.02

Description	Holding	Book Cost £000's	Market Price £s	Market Value £000's
JUST EAT	114,997	444.88	6.55	753.23
KINGFISHER ORD GBP0.157142857	464,978	982.62	3.01	1,398.19
MARKS AND SPENCER GROUP ORD GBP0.25	335,600	694.71	3.33	1,118.55
NEXT ORD GBP0.10	29,200	358.23	38.55	1,125.66
PETS AT HOME GRP	79,000	174.53	1.61	127.27
SAGA	230,800	428.20	2.09	482.83
SMITH WH ORD GBP0.20	22,547	93.46	17.14	386.46
SPORTS DIRECT INT'L ORD GBP0.10	50,300	165.38	2.91	146.47
Total GENERAL RETAILERS		**5,755.73**		**8,407.77**
INDUSTRIAL METALS				
EVRAZ PLC	101,000	329.42	2.07	208.97
FERREXPO	60,700	84.68	2.07	125.89
Total INDUSTRIAL METALS		**414.09**		**334.86**
TRAVEL & LEISURE		**0.00**		**0.00**
CARNIVAL ORD USD1.66	37,715	583.05	50.80	1,915.92
CINEWORLD GRP	40,400	144.29	7.02	283.41
COMPASS GROUP ORD GBP0.10	326,820	1,368.14	16.20	5,294.48
DOMINO'S PIZZA UK& IRL	103,500	171.14	2.94	304.19
EASYJET ORD GBP0.25	51,257	304.62	13.58	696.07
FIRSTGROUP ORD GBP0.05	249,149	399.82	1.26	312.93
GO AHEAD GROUP ORD GBP0.10	9,000	106.80	17.59	158.31
GREENE KING ORD GBP0.125	63,985	346.12	6.73	430.62
GVC PLC	59,400	426.09	7.56	449.06
INT'L CONSOLIDATED AIR	350,050	1,026.13	6.10	2,133.55
INTERCONTINENTAL HOTELS	38,981	321.88	42.65	1,662.54
LADBROKE CORAL	190,105	607.03	1.14	217.48
MARSTONS ORD GBP0.07375	123,154	132.89	1.22	150.12
MERLIN ENTERTAINMENT	148,000	585.87	4.81	711.14
MILLENNIUM & COPTHORNE HOTELS ORD GBP0.:	25,910	101.36	4.40	114.00
MITCHELLS & BUTLER ORD GBP0.085416	50,430	153.52	2.30	116.14
NATIONAL EXPRESS ORD GBP0.05	87,566	231.73	3.66	320.75
PADDYPOWER BETFAIR	16,999	1,143.13	82.00	1,393.92
PLAYTECH ORD	50,400	313.50	9.51	479.05
RANK GROUP ORD GBP0.13888	33,215	72.59	2.37	78.79
RESTAURANT ORD GBP0.28125	43,000	76.49	3.28	140.83
SSP GRP	97,700	267.41	4.76	464.86
STAGECOACH GROUP ORD GBP0.009824	91,395	106.44	1.86	170.27
THOMAS COOK ORD EUR0.10	307,000	380.95	0.90	275.99
TUI TRAVEL ORD GBP0.10	97,497	846.83	11.18	1,090.02
WETHERSPOON (JD) ORD GBP0.02	15,300	47.05	9.75	149.18
WHITBREAD ORD GBP0.76797385	37,785	411.86	39.67	1,498.93
WILLIAM HILL ORD GBP0.10	177,252	366.29	2.54	450.57
WIZZ AIR HOLDINGS PLC	9,000	157.76	24.19	217.71
Total TRAVEL & LEISURE		**11,200.80**		**21,680.84**
MEDIA				
ASCENTIAL	80,900	235.42	3.23	261.63
AUTO TRADER GROUP	198,200	715.34	3.80	753.16
ENTERTAINMENT ONE LTD	67,698	131.59	2.20	149.14
EUROMONEY INST INVESTOR ORD GBP0.0025	11,100	89.71	10.72	118.99
INFORMA ORD GBP0.001	170,581	595.80	6.69	1,140.33
ITV ORD GBP0.10	774,546	999.96	1.81	1,405.03
MONEYSUPERMARKET.COM	110,000	205.04	3.54	388.96

Description	Holding	Book Cost £000's	Market Price £s	Market Value £000's
PEARSON ORD GBP0.25	170,627	1,074.32	6.92	1,179.89
RELX	223,170	986.08	16.60	3,704.62
RIGHTMOVE ORD GBP0.001	18,365	140.94	42.49	780.33
SKY PLC	216,900	1,230.47	9.94	2,155.99
UBM ORD GBP0.338068	81,716	560.82	6.90	563.43
WPP GROUP ORD GBP0.10	263,766	1,648.79	16.13	4,254.55
ZOOPLA PROPERTY GRP	51,000	109.55	3.62	184.37
Total MEDIA		**8,723.82**		**17,040.41**
SUPPORT SERVICES				
AA PLC	125,800	481.32	2.28	286.70
AGGREKO ORD GBP0.20	49,765	178.87	9.21	458.09
ASHTEAD GROUP ORD GBP0.10	104,100	272.34	15.89	1,654.15
ATKINS WS ORD GBP0.005	21,000	116.34	20.80	436.80
BABCOCK INTL GRP ORD GBP0.60	103,579	485.09	8.80	911.50
BERENDSEN PLC	35,957	149.23	12.29	441.91
BUNZL ORD GBP0.32142857	69,470	385.76	22.87	1,588.78
CAPITA GROUP ORD NVP	137,902	571.00	6.92	953.59
CARILLION ORD GBP0.50	92,699	186.17	1.87	172.98
DCC ORD	18,300	597.28	69.90	1,279.17
DIPLOMA PLC	24,000	118.81	11.03	264.72
ELECTROCOMPONENTS ORD GBP0.10	90,800	126.13	5.77	523.46
ESSENTRA	53,749	174.68	5.63	302.61
EXPERIAN ORD USD0.10	194,570	702.46	15.74	3,062.53
FERGUSON	52,213	929.29	47.13	2,460.80
G4S ORD GBP0.25	319,913	621.21	3.26	1,044.20
GRAFTON GROUP	46,000	296.45	7.05	324.07
HAYS ORD GBP0.01	298,500	184.32	1.66	495.21
HOMESERVE ORD GBP0.125	53,140	106.69	7.35	390.58
HOWDEN JOINERY GROUP	127,000	166.47	4.07	517.02
INTERTEK GROUP ORD GBP0.01	33,150	341.90	42.17	1,397.94
IWG Group	141,000	173.57	3.23	455.57
MICHAEL PAGE INTL ORD GBP0.01	63,300	135.20	4.76	301.12
MITIE GROUP ORD GBP0.025	77,500	158.55	2.77	214.29
NORTHGATE ORD GBP0.05	27,300	142.15	4.43	120.94
PAYPOINT	14,000	104.26	8.85	123.83
PAYSAFE GROUP	100,000	401.28	5.11	511.00
RENTOKIL INITIAL ORD GBP0.01	377,024	346.74	2.73	1,030.03
SANNE GROUP	24,400	179.26	6.37	155.43
SERCO ORD GBP0.02	228,300	352.22	1.15	262.32
SIG ORD GBP0.10	120,285	188.36	1.48	178.50
TRAVIS PERKINS ORD GBP0.10	51,672	322.00	14.54	751.31
WORLDPAY GROUP PLC	387,700	1,132.71	3.15	1,219.32
Total SUPPORT SERVICES		**10,828.14**		**24,290.44**
INDUSTRIAL TRANSPORT				
BBA AVIATION ORD GBP0.2976	217,039	350.08	3.07	667.18
CLARKSON PLC	5,000	139.22	25.26	126.30
FISHER (JAMES) & SONS	9,000	139.34	16.28	146.52
ROYAL MAIL	187,600	1,049.51	4.21	789.42
STOBART GROUP LTD	63,800	188.59	2.96	188.98
Total INDUSTRIAL TRANSPORT		**1,866.74**		**1,918.39**
FOOD & DRUG RETAILERS				
BOOKER GROUP	343,000	217.53	1.86	637.98

Description	Holding	Book Cost £000's	Market Price £s	Market Value £000's
GREGGS ORD GBP0.20	20,900	185.45	10.79	225.51
MORRISON (WM) ORD GBP0.10	446,283	565.65	2.41	1,074.65
OCADO GROUP PLC	87,000	154.91	2.89	251.69
SAINSBURY (J) ORD GBP0.28571428	347,473	860.91	2.52	874.59
TESCO ORD GBP0.05	1,674,712	2,588.88	1.69	2,826.91
Total FOOD & DRUG RETAILERS		**4,573.32**		**5,891.33**
FIXED LINE TELECOMMUNICATION				
BT GROUP ORD GBP0.05	1,725,298	4,109.97	2.95	5,081.87
TALKTALK TELECOM	113,000	174.69	1.80	203.85
TELECOM PLUS	12,384	109.35	11.53	142.79
Total FIXED LINE TELECOMMUNICATION		**4,394.00**		**5,428.50**
ELECTRICITY		**0.00**		**0.00**
DRAX GROUP ORD GBP0.1155172	84,044	585.19	3.26	273.65
SSE PLC ORD GBP0.50	209,640	1,565.21	14.53	3,046.07
Total ELECTRICITY		**2,150.40**		**3,319.72**
GAS WATER & MULTIUTILITIES				
CENTRICA ORD GBP0.061728395	1,131,674	2,012.79	2.00	2,265.61
NATIONAL GRID ORD GBP0.11395	712,878	3,946.85	9.52	6,784.46
PENNON ORD GBP0.407	85,279	293.66	8.25	703.55
SEVERN TRENT ORD GBP0.9789	48,509	365.14	21.81	1,057.98
UNITED UTILITIES ORD GBP1.00	141,039	627.97	8.68	1,223.51
Total GAS WATER & MULTIUTILITIES		**7,246.40**		**12,035.12**
BANKS				
ALDERMORE GROUP	48,300	129.87	2.17	104.81
BANK OF GEORGIA HLDGS	7,500	127.12	34.91	261.83
BARCLAYS ORD GBP0.25	3,487,470	7,105.27	2.03	7,069.10
CYBG	182,600	436.36	2.76	504.71
HSBC HLDGS ORD USD 0.50	4,126,447	18,204.16	7.12	29,367.92
LLOYDS TSB GROUP ORD GBP0.25	13,933,723	11,936.38	0.66	9,217.16
METRO BANK	15,500	302.18	35.83	555.37
ROYAL BANK OF SCOTLAND	677,972	6,673.44	2.47	1,675.95
SHAWBROOK GROUP	22,000	69.19	3.39	74.58
STANDARD CHARTERED ORD USD0.50	553,369	3,864.48	7.77	4,300.78
VIRGIN MONEY HOLDINGS UK	58,500	222.31	2.67	156.02
Total BANKS		**49,070.78**		**53,288.22**
NON LIFE INSURANCE				
ADMIRAL GRP ORD GBP0.001	41,400	304.97	20.02	828.83
BEAZLEY GROUP ORD GBP0.05	108,721	155.10	4.88	530.23
DIRECT	283,516	740.61	3.55	1,007.62
ESURE GROUP	58,900	137.33	3.02	177.70
HASTINGS GROUP HOLDINGS LTD	62,600	115.49	3.14	196.44
HISCOX ORD GBP0.05	59,069	224.55	12.66	747.81
JARDINE LLOYD THOMPSON ORD GBP0.05	26,000	81.77	11.97	311.22
LANCASHIRE HOLDINGS LTD	41,200	231.87	6.96	286.55
RSA INSURANCE	210,116	1,275.91	6.16	1,293.26
Total NON LIFE INSURANCE		**3,267.60**		**5,379.66**
LIFE INSURANCE				
AVIVA ORD GBP0.25	834,107	4,645.10	5.26	4,387.40

Description	Holding	Book Cost £000's	Market Price £s	Market Value £000's
JRP GROUP	100,834	132.32	1.27	128.06
LEGAL & GENERAL GP ORD GBP0.025	1,224,234	953.71	2.58	3,158.52
OLD	1,011,035	1,522.28	1.93	1,954.33
PHOENIX GROUP HOLDINGS	81,290	513.21	7.74	628.78
PRUDENTIAL CORP ORD GBP0.05	532,036	2,310.85	17.61	9,366.49
ST JAMES PLACE ORD GBP0.15	107,000	596.87	11.80	1,262.60
STANDARD LIFE ORD GBP0.10	408,174	1,349.06	3.99	1,628.21
Total LIFE INSURANCE		**12,025.30**		**22,514.39**
EQUITY INVESTMENT INSTRUMENTS				
3I INFRASTRUCTURE LTD	144,565	201.71	1.91	275.97
ABERFORTH SMALLER COS TRUST ORD GBP	20,000	77.26	12.48	249.60
ALLIANCE TRUST ORD GBP0.25	76,935	143.71	7.00	538.55
BANKERS I.T. ORD GBP0.25	26,500	68.25	7.84	207.76
BH MACRO LTD	4,500	73.26	19.12	86.04
BRITISH EMPIRE SEC & GEN TRUST ORD GBP0.1(	25,200	49.77	6.84	172.37
CALEDONIA INVESTMENT ORD GBP0.05	6,500	61.17	29.55	192.08
CITY OF LONDON TRUST ORD GBP0.25	69,600	161.81	4.24	294.76
EDINBURGH I.T. ORD GBP0.25	40,500	104.12	7.41	300.11
ELECTRA PRIVATE EQUITY GBP0.25	5,500	68.49	17.53	96.42
F & C INVEST TRUST ORD GBP0.25	114,000	135.86	5.86	668.04
FIDELITY CHINA SPECIAL	77,968	92.23	2.06	160.22
FIDELITY EUROPEAN VALUES ORD GBP0.25	90,000	58.02	2.18	196.02
FINSBURY GR&INC TRUST-ORD	30,200	179.98	7.13	215.33
GCP INFRASTRUCTURE INVESTMENTS	152,400	185.67	1.26	191.57
GENESIS EMERGING MARKETS	27,000	123.63	6.52	175.91
GREENCOAT UK WIND	152,400	176.44	1.21	183.95
HARBOURVEST GLOBAL PRIVA	17,000	147.98	12.51	212.67
HICL INFRASTRUCTURE CO	315,330	404.77	1.60	505.47
INTERNATIONAL PUB PTR	260,394	317.15	1.58	411.42
JOHN LAING INFRASTRUCTURE	165,125	186.09	1.34	221.60
JPMORGAN AMERICAN IT	56,000	109.71	3.80	212.52
JPMORGAN EMERGING MKTS	26,000	125.72	7.96	206.96
JPMORGAN INDIAN INV TRUST	22,000	148.70	6.98	153.56
MERCANTILE TRUST	18,400	66.55	19.01	349.78
MONKS INVESTMENT ORD GBP0.05	44,400	53.96	6.89	305.92
MURRAY INTERNATIONAL ORD GBP0.25	26,800	155.22	12.34	330.71
NB GLOBAL FLOATING RATE	214,300	214.37	0.95	202.94
P2P GLOBAL INVESTMENTS	17,600	175.28	8.87	156.02
PERPETUAL INCOME & GRTH ORD GBP0.10	51,000	121.73	3.96	201.91
PERSONAL ASSETS TRUST	350	131.76	406.00	142.10
POLAR CAPITAL TECHNOLOGY TR	28,000	80.37	9.68	271.04
RENEWABLES INFRASTRUCTURE GROUP	172,200	171.06	1.10	189.59
RIT CAPITAL PARTNERS ORD GBP1.00	26,479	121.14	19.01	503.37
RIVERSTONE ENERGY LTD	12,000	110.64	12.50	150.00
SCOTTISH I.T ORD GBP0.25	17,400	28.05	7.93	137.98
SCOTTISH MORTGAGE ORD GBP0.25	277,800	211.22	4.00	1,110.64
SYNCONA	78,700	114.11	1.61	126.71
TEMPLE BAR IT ORD GBP0.25	14,000	106.82	12.33	172.62
TEMPLETON EMERGING MARKETS I.T. ORD GBP(	58,500	113.75	6.75	394.58
TR PROPERTY INVESTMENT TRUST ORD GBP0.2!	68,500	69.28	3.39	231.87
WITAN IT ORD GBP0.25	37,200	90.16	10.01	372.37
WOODFORD PATIENT CAPITAL TRU	178,000	205.24	0.97	172.66
WORLDWIDE HEALTH	10,000	104.67	24.70	247.00
Total EQUITY INVESTMENT INSTRUMENTS		**5,846.87**		**11,898.70**

Description	Holding	Book Cost £000's	Market Price £s	Market Value £000's
REAL ESTATE INVESTMENT & SERVICES				
CAPITAL & COUNTIES PROPERTIES	151,333	299.68	2.93	442.95
CLS HOLDINGS ORD GBP0.25	30,000	49.03	2.02	60.60
DAEJAN HOLDINGS ORD GBP0.25	1,000	42.37	61.70	61.70
F & C COMMERCIAL PROPERTY TRUST	113,000	123.72	1.45	164.19
GRAINGER TRUST ORD0.05	84,700	132.72	2.63	222.59
KENNEDY WILSON EUR REAL EST.	20,600	219.91	11.08	228.25
SAVILLS ORD 2.5GBP	26,800	108.70	8.78	235.17
ST. MODWEN PROPERTIES ORD GBP0.10	35,000	92.73	3.58	125.41
UK COMMERCIAL PROPERTY ORD GBP0.25	142,000	120.24	0.92	130.78
UNITE GROUP ORD GBP0.25	46,142	175.56	6.48	299.00
Total REAL ESTATE INVESTMENT & SERVICES		**1,364.65**		**1,970.64**
REAL ESTATE INVESTMENT TRUSTS				
ASSURA GROUP ORD GBP0.10	351,000	185.48	0.64	223.76
BIG YELLOW GROUP ORD GBP0.10	29,600	155.80	7.91	234.14
BRITISH LAND ORD GBP0.25	211,900	958.45	6.05	1,282.00
DERWENT LONDON ORD GBP0.05	20,696	305.82	26.51	548.65
GREAT PORTLAND ESTATE ORD GBP0.125	68,561	243.02	5.97	408.97
HAMMERSON ORD GBP0.25	163,847	620.83	5.73	938.84
HANSTEEN HOLDINGS	155,000	142.58	1.24	192.82
INTU PROPERTIES REIT	180,133	669.33	2.69	484.56
LAND SECURITIES GROUP ORD GBP0.10	162,876	896.52	10.12	1,648.31
LONDON METRIC	126,000	164.45	1.67	210.80
NEWRIVER REIT PLC	48,400	160.60	3.49	168.87
REDEFINE INT'L REIT	255,000	129.18	0.40	101.41
SAFESTONE HLDGS	44,000	150.70	4.21	185.20
SEGRO REIT	205,002	663.59	4.87	998.97
SHAFTESBURY ORD GBP0.25	46,966	199.96	9.73	456.74
TRITAX BIG BOX REIT PLC	249,451	317.66	1.46	364.45
WORKSPACE GROUP - ORD GBP0.10	25,000	108.75	8.89	222.13
Total REAL ESTATE INVESTMENT TRUSTS		**6,072.72**		**8,670.60**
SOFTWARE & COMPUTER SERVICES				
AVEVA GROUP ORD GBP0.0333	13,686	153.05	19.37	265.10
COMPUTACENTER PLC ORD GBP0.05	14,705	60.85	8.09	118.89
FIDESSA GROUP	8,000	80.33	23.16	185.28
MICRO FOCUS INT'L ORD GBP0.10	46,083	458.82	22.69	1,045.62
SAGE GROUP ORD GBP0.01	222,063	396.30	6.88	1,527.79
SOFTCAT PLC	22,100	72.84	3.92	86.63
SOPHOS GROUP	50,000	122.11	4.43	221.55
Total SOFTWARE & COMPUTER SERVICES		**1,344.29**		**3,450.87**
FINANCIAL SERVICES				
3I GROUP ORD GBP0.738636	198,681	549.83	9.02	1,791.11
ABERDEEN ASSET MGT ORDGBP0.10	206,000	353.84	3.02	622.12
ALLIED MINDS	47,800	155.90	1.67	79.59
ASHMORE GROUP ORD GBP0.0001	81,000	221.82	3.53	285.85
BREWIN DOLPHIN HLDGS	58,000	104.08	3.42	198.42
CLOSE BROTHERS GROUP ORD GBP0.25	30,700	178.35	15.06	462.34
HARGRAVES LANSDOWN	50,300	260.03	13.02	654.91
IG GROUP ORD GBP0.05	76,000	215.87	5.68	431.68
INTERMEDIATE CAPITAL GRP ORD GBP0.20	60,482	271.27	8.33	503.51
INVESTEC ORD GBP0.0002	130,900	448.73	5.73	750.06

Description	Holding	Book Cost £000's	Market Price £s	Market Value £000's
IP GROUP PLC	124,510	203.28	1.34	166.22
JOHN LAING GROUP	79,000	160.45	3.03	239.29
JUPITER FUND MANAGEMENT	87,000	269.54	5.04	438.48
LONDON STOCK EXCHANGE ORD GBP0.069186	65,025	924.01	36.43	2,368.86
MAN GROUP ORD USD0.0342857	310,575	454.92	1.55	480.46
NEX ICAP	63,996	319.32	6.24	399.34
ONESAVINGS BANK PLC	18,000	70.00	3.75	67.48
PARAGON GRP OF COMPANIES ORD GBP1	58,600	117.75	4.27	250.22
PROVIDENT FINANCIAL ORD GBP0.20727272	30,368	266.94	24.33	738.85
RATHBONE BROTHERS ORD GBP0.05	10,400	124.76	25.32	263.33
SCHRODERS ORD GBP1.00	23,499	145.47	31.04	729.41
SVG CAPITAL ORD GBP1.00	4,800	13.02	0.00	0.00
TP ICAP ORD GBP0.25	113,494	194.99	4.67	529.79
Total FINANCIAL SERVICES		**6,024.18**		**12,451.31**
GENERAL INDUSTRIAL				**0.00**
RPC GROUP	85,995	439.36	7.52	646.25
SMITH (DS) ORD GBP0.10	195,475	304.34	4.74	925.77
SMITHS GROUP ORD GBP0.375	81,527	491.82	15.96	1,301.17
SMURFIT KAP	48,400	859.74	23.92	1,157.73
VESUVIUS	44,481	150.53	5.30	235.75
Total GENERAL INDUSTRIAL		**2,245.79**		**4,266.67**
MOBILE TELECOMMUNICATIONS				
INMARSAT ORD EURO0.0005	93,000	433.41	7.69	715.17
VODAFONE GROUP ORD USD0.11428571	5,477,281	10,467.80	2.18	11,924.04
Total MOBILE TELECOMMUNICATIONS		**10,901.21**		**12,639.21**
OIL EQUIPMENT SERVICES & DISTRIBUTION				
AMEC ORD GBP0.50	81,100	378.37	4.67	378.74
HUNTING ORD GBP0.25	28,800	160.82	4.87	140.34
PETROFAC ORD USD0.025	54,000	214.58	4.42	238.68
WOOD GROUP (JOHN) ORD GBP0.03333	76,833	300.21	6.41	492.12
Total OIL EQUIPMENT SERVICES & DISTRIBUTION		**1,053.98**		**1,249.87**

Summary of Transactions for the Period

1 April - 30 June 2017

Cash Transaction Summary

Schedule	Purchases	Sales	Net Cash Invested
	£	£	£
UK Equities	2,680,755.59	2,604,822.28	75,933.31
	2,680,755.59	2,604,822.28	75,933.31

UK Equities

Purchases

No. of Shares	Description	Date	Price £	Cost £
96,172	Tullow Oil	11-Apr	1.30	125,023.60
78,700	Syncona Ltd	13-Apr	1.45	114,107.13
6,800	Glaxosmithkline	13-Apr	16.40	111,524.76
689,800	Lloyds Banking Group	13-Apr	0.63	431,193.98
48,700	Mccarthy	13-Apr	1.93	94,146.84
27,300	Northgate	13-Apr	5.21	142,151.10
5,600	Royal Dutch 'B'	13-Apr	21.95	122,899.28
24,400	Sanne Group	13-Apr	7.33	179,259.90
38,300	Worldpay Group	13-Apr	3.00	115,030.22
142,598	Cobham Plc	24-Apr	0.75	106,948.50
400	Rathbone Brothers Plc	27-Apr	23.71	9,484.48
18,800	Ascential Plc	27-Apr	3.45	64,782.92
500	BGEO Group	27-Apr	35.77	17,886.15
3,800	Scottish Mortgage Inv Tr Plc	27-Apr	3.74	14,196.42
9,000	International Public Partner	27-Apr	1.55	13,981.50
19,800	Allied Minds Plc	27-Apr	1.63	32,226.48
15,300	Card Factory Plc	27-Apr	3.24	49,620.96
9,700	Ibstock Plc	27-Apr	2.28	22,142.19
7,800	Countryside Properties Plc	27-Apr	2.72	21,209.76
15,400	Ferrexpo Plc	27-Apr	1.53	23,631.30
13,300	Aldermore Group Plc	27-Apr	2.50	33,198.13
4,900	Centrica Plc	27-Apr	2.00	9,783.83
2,500	NMC Health Plc	27-Apr	19.52	48,791.00
27,932	International Public Partner	27-Apr	1.50	41,898.00
86,800	Convatec Group	19-May	2.99	259,749.00
11,400	Royal Dutch 'B'	19-May	21.63	246,585.42
20,787	Tritax Reit	10-May	1.36	28,270.32
8,890	IP Group	7-Jun	1.40	12,446.00
63,800	Stobart Grp	29-Jun	2.96	188,586.42
				2,680,755.59

Dorset County Pension Fund Transactions (1 April - 30 June 2017)

UK Equities

Sales

No. of Shares	Description	Date	Price £	Proceeds £	Profit / (Loss) £
30,800	Alliance Trust	13-Apr	6.8307	210,384.09	152,851.98
1,300	British American Tobacco	13-Apr	53.9842	70,179.46	51,993.96
13,600	HSBC Hldgs.	13-Apr	6.4647	87,919.92	27,922.39
2,100	3i Group Plc	27-Apr	8.0074	16,815.54	11,004.03
1,000	Anglo American Plc	27-Apr	10.9807	10,980.70	609.82
1,200	Antofagasta Plc	27-Apr	8.2431	9,891.72	7,451.48
500	Associated British Foods Plc	27-Apr	28.2441	14,122.05	10,342.07
900	Astrazeneca Plc	27-Apr	46.6946	42,025.14	23,321.03
2,800	Aviva Plc	27-Apr	5.2922	14,818.16	-774.91
1,400	Babcock Intl Group Plc	27-Apr	9.1204	12,768.56	6,211.95
2,200	BAE Systems Plc	27-Apr	6.3237	13,912.14	9,023.89
12,800	Barclays Plc	27-Apr	2.2415	28,691.20	2,612.85
1,500	BHP Billiton Plc	27-Apr	11.8155	17,723.25	9,478.57
13,500	BP Plc	27-Apr	4.46	60,210.00	15,149.78
1,800	British Empire Trust Plc	27-Apr	6.7126	12,082.68	8,527.53
32,761	Brown (N) Group Plc	27-Apr	2.3798	77,964.63	39,280.24
5,900	BT Group Plc	27-Apr	3.0863	18,209.17	4,154.32
800	Close Brothers Group	27-Apr	16.868	13,494.40	8,846.79
20,000	CMC Markets Plc	27-Apr	1.2672	25,344.00	-32,078.00
1,000	Compass Group Plc	27-Apr	15.351	15,351.00	11,325.80
600	CRH Plc	27-Apr	28.1978	16,918.68	8,422.17
1,900	Diageo Plc	27-Apr	22.497	42,744.30	27,735.84
3,900	Direct Line Insurance Group	27-Apr	3.4615	13,499.85	3,312.15
1,000	Easyjet Plc	27-Apr	11.6349	11,634.90	5,691.99
1,600	Edinburgh Investment Trust	27-Apr	7.4568	11,930.88	7,817.50
500	Electra Private Equity Plc	27-Apr	26.3037	13,151.85	6,925.13
3,500	Elementis Plc	27-Apr	3.0759	10,765.65	6,161.62
2,000	Essentra Plc	27-Apr	5.2829	10,565.80	4,066.03
4,000	Experian Plc	27-Apr	16.645	66,580.00	52,138.72
4,300	G4S Plc	27-Apr	3.0614	13,164.02	4,814.21
8,600	Glencore Plc	27-Apr	3.024	26,006.40	5,819.81
4,300	Grainger Plc	27-Apr	2.49	10,707.00	3,969.26
1,100	Greggs Plc	27-Apr	10.7103	11,781.33	2,020.80
800	Hill & Smith Holdings Plc	27-Apr	13.2453	10,596.24	2,679.76
700	Imperial Brands Plc	27-Apr	38.3281	26,829.67	17,487.76
45,236	International Personal Finance	27-Apr	1.5699	71,016.00	15,940.46
400	Intertek Group Plc	27-Apr	40.6857	16,274.28	12,148.80
2,300	Intl Consolidated Airlines	27-Apr	5.5464	12,756.72	6,014.52
400	Johnson Matthey Plc	27-Apr	29.707	11,882.80	7,459.22
3,500	Kingfisher Plc	27-Apr	3.324	11,634.00	4,237.57
4,200	Legal & General Group Plc	27-Apr	2.4723	10,383.66	7,111.75
500	London Stock Exchange Group	27-Apr	33.7496	16,874.80	9,769.75
8,800	Man Group Plc	27-Apr	1.5403	13,554.64	664.74
2,800	National Grid Plc	27-Apr	10.076	28,212.80	14,002.46
200	Next Plc	27-Apr	42.8588	8,571.76	6,118.14
600	Persimmon Plc	27-Apr	23.2809	13,968.54	9,774.34
1,100	Playtech Plc	27-Apr	9.4329	10,376.19	3,533.86
1,500	Prudential Plc	27-Apr	17.2777	25,916.55	19,401.44
500	Reckitt Benckiser Group Plc	27-Apr	72.279	36,139.50	27,498.12
3,800	Relx Plc	27-Apr	15.6848	59,602.24	42,811.84

Dorset County Pension Fund Transactions (1 April - 30 June 2017)

UK Equities

Sales

No. of Shares	Description	Date	Price	Proceeds	Profit / (Loss)
			£	£	£
4,600	Rentokil Initial Plc	27-Apr	2.4812	11,413.52	7,182.98
700	Rio Tinto Plc	27-Apr	30.5498	21,384.86	13,335.53
2,400	Royal Mail Plc	27-Apr	4.1797	10,031.28	-3,395.27
2,200	Sage Group Plc	27-Apr	6.6636	14,659.92	10,733.75
1,200	Savills Plc	27-Apr	9.2382	11,085.84	6,218.83
3,100	Scottish Investment Trust	27-Apr	7.9166	24,541.46	19,543.36
2,300	Segro Plc	27-Apr	4.9103	11,293.69	3,848.64
500	Severn Trent Plc	27-Apr	23.115	11,557.50	7,793.89
2,600	Shaftesbury Plc	27-Apr	9.4226	24,498.76	13,429.19
600	Shire Plc	27-Apr	45.7992	27,479.52	11,078.11
600	Smurfit Kappa Group Plc	27-Apr	20.8538	12,512.28	1,854.29
3,700	Sports Direct International	27-Apr	3.0766	11,383.42	-781.48
900	SSE Plc	27-Apr	13.9588	12,562.92	5,843.37
1,000	St James's Place Plc	27-Apr	11.3552	11,355.20	5,776.95
1,900	Standard Chartered Plc	27-Apr	7.4692	14,191.48	922.72
8,500	SVG Capital Plc	27-Apr	7.3952	62,859.20	39,798.35
2,100	Synthomer Plc	27-Apr	4.9471	10,388.91	6,059.86
1,300	Tate & Lyle Plc	27-Apr	7.619	9,904.70	5,636.17
7,900	Taylor Wimpey Plc	27-Apr	2.0095	15,875.05	10,999.50
1,800	Templeton Emerging Markets	27-Apr	6.5823	11,848.14	8,348.18
5,800	Tesco Plc	27-Apr	1.8095	10,495.10	1,529.08
900	Unilever Plc	27-Apr	39.8049	35,824.41	27,952.31
18,900	Vodafone Group Plc	27-Apr	2.0242	38,257.38	2,137.00
1,100	Wetherspoon (J.D.) Plc	27-Apr	9.8387	10,822.57	7,439.78
4,300	William Hill Plc	27-Apr	2.9216	12,562.88	3,676.91
1,100	Witan Investment Trust Plc	27-Apr	9.7907	10,769.77	8,103.87
5,000	Wm Morrison Supermarkets	27-Apr	2.3419	11,709.50	5,372.19
1,500	WPP Plc	27-Apr	16.8912	25,336.80	15,960.37
8,500	HSBC Holdings	19-May	6.65	56,502.05	19,003.60
8,400	SVG Capital	19-May	7.39	62,035.68	39,246.13
22,051	Janus Henderson Group	29-Jun	25.97	572,749.63	374,063.39
				2,604,822.28	**1,391,516.88**

Other Transactions

The following Capitalisation / Consolidation issues took place

during the 3 month period 1 April - 30 June 2017)

Company	Old Holding	New Holding
Capitalisation Issues		
CLS Group	3,000	30,000
Consolidation Issues		
Intercontinental Hotels	40,716	38,981
G.t Portland	72,172	68,561
National Grid	777,686	712,876
Janus Henderson	220,518	22,051
Compass Group	339,893	326,820

Agenda Item:

11b

Pension Fund Committee

Dorset County Council

Date of Meeting	13 September 2017
Officer	Pension Fund Administrator
Subject of Report	**Global Equities Managers Report**
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 first quarter of the 2017/18 Financial Year to 30 June 2017.
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	That the Committee : i) Review and comment upon the performance of the Fund's Global Equities managers.
Reason for Recommendation	To ensure that the Fund has the appropriate management arrangements in place and are being monitored.
Appendices	None
Background Papers	Quarterly manager reports.
Report Originator and Contact	Name: David Wilkes Tel: 01305 224119 Email: d.wilkes@dorsetcc.gov.uk

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 2017 and 30 June 2017.

	Allianz	Investec	Wellington	Total
	£000s	£000s	£000s	£000s
Valuation 01-Apr-17	270,886	193,966	206,868	671,720
Investment	-	-	-	-
Distribution	-	-	-	-
Increase in Valuation	- 856	925	1,422	1,490
Valuation 30-Jun-17	270,030	194,891	208,290	673,210

2.2 No additional investment or distribution has been made with the three managers in this financial year.

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 12 months and since inception to 30 June 2017.

	Allianz	Investec	Wellington
Quarter to Date			
Performance	-0.7%	0.5%	0.2%
Benchmark	0.1%	0.1%	0.1%
Relative Return	-0.8%	0.4%	0.1%
Twelve Months to Date			
Performance	21.4%	22.4%	23.2%
Benchmark	21.6%	21.6%	21.6%
Relative Return	-0.2%	0.8%	1.6%
Since Inception			
Performance	20.8%	21.0%	22.4%
Benchmark	21.1%	21.1%	21.1%
Relative Return	-0.3%	-0.1%	1.3%

3.2 Investec and Wellington both outperformed their benchmarks for the three months to 30 June 2017 by 0.4% and 0.1% respectively, whilst Allianz underperformed by 0.8% over the same period. Since inception, Wellington has outperformed its benchmark by 1.3%, whilst Allianz and Investec underperformed their benchmarks by 0.3% and 0.1% respectively.

4. Market Review

4.1 Global equities made modest progress throughout the first quarter, with many markets touching record highs amid growing optimism over the outlook for global growth. Most sectors advanced, with the healthcare and information technology sectors posting the strongest performance, but energy stocks retreated as oil prices slid to their lowest levels this year.

4.2 US equities increased during the quarter, reaching a series of new highs to end the period with modest gains as sentiment was boosted by strong corporate earnings growth. However, the rally appeared to slow towards the end of June amid concerns that President Trump's administration may struggle to implement tax reforms and other key election promises. Political risk also weighed on sentiment as President Trump faced claims he tried to interfere with the FBI's investigation into formal national security advisor Michael Flynn.

4.3 European equities rallied modestly over the quarter, boosted by Emmanuel Macron's decisive victory in the French presidential election and by signs that the Eurozone's economic growth was continuing to pick up momentum. However, strong initial gains were alleviated in June following more hawkish comments from the European Central Bank.

4.4 Most equity markets in the Pacific ex Japan advanced over the quarter, although returns for the region as a whole were hindered by a weak performance from Australia, the region's largest market. Australian equities fell to a four month low in early June due to negative returns from the banks which were hit by government plans to impose a tax on their balance sheet liabilities.

4.5 Japanese equities rallied strongly over the quarter, boosted by generally positive economic news. While Japan's first quarter GDP growth was revised down to 1.0% on an annual basis, from an initial estimate of 2.2%, this was mainly due to an unexpected decline in oil inventories, meaning that the underlying pace of growth was not affected.

4.6 Emerging market equities rallied strongly over the first quarter, outperforming many developed markets, buoyed by optimism over the outlook for the global economy, signs of an improvement in economic activity in China and a weaker US dollar.

Manager Commentaries

5. Allianz

5.1 It was a mixed quarter for global investment styles and the portfolio, which saw a negative return of 0.68%, underperforming the benchmark by 0.82%. The weakness in the investment style Value was too strong to be compensated by the rather limited relative performance contribution of our further investment styles.

5.2 Sector allocation added to the relative performance largely driven by strong relative performance (+11 bps) from being underweight in the Energy sector. Single stock selection was particularly weak in Information Technology (-46 bps), Consumer Discretionary (-27 bps) and Consumer Staples (-26 bps), while stocks selected within the Energy Sector added to relative performance by 39 bps.

5.3 Regional allocation made a minor contribution of 1 bp, mostly due to the underweight position in Europe ex UK which detracted by 7 bps offsetting the overweight. This was more than compensated by the successful overweight position in the Eurozone (+3 bps) and the underweight position in Pacific ex Japan (+ 4 bps) which were both beneficial.

5.4 The quarter had been a mixed environment for global investment styles and the portfolio overall. The most prominent investment style Value, alongside other more risk-on, cyclical investment styles like Small Caps and High Risk underperformed the more risk-off, non-cyclical investment styles like High Quality and Stable Growth which performed positively. Trend following investment styles also delivered positive performance in the quarter, with Price Momentum strategies doing well while earnings revisions strategies were trailing the benchmark. Overall, the weakness in Value and Earnings Revisions could not be offset by the rather limited relative performance contributions from Quality, Price Momentum and Stable Growth.

6. Investec

6.1 The performance of Investec's Four Factors approach provided a tailwind for portfolio performance in the quarter. The strategy and technical factors had a strong sector, while the earnings and value factors were weaker. Relative performance in the quarter was led by favourable stock selection in financials, information technology and materials. The overweight position in information technology since the start of the year was now being shown to be a positive. On a regional basis, stock selection in Asia Pacific ex Japan and the US made a strong positive contribution to relative returns, while stock selection in the UK and Japan was negative.

6.2 In financials, Asian stocks were among the strongest positive contributions to relative returns, with the sector as a whole benefiting from more hawkish news on monetary policy from central banks. Bank of China performed strongly, while the pan-Asian life insurance company AIA also made gains on the quarter due to good underlying results.

6.3 The selections within the IT sector were among the leading stocks over the quarter, starting with American online payments operator PayPal, which reported strong quarterly results with continued transaction volume growth and limited impact from the recent deals done with Visa and Mastercard. The company's mobile payment service Venmo also continues to show promising growth. US semiconductor manufacturer Lam Research also added to relative returns, amid strong positive sentiment in the technology sector ahead of Apple's anticipated product launch in the year, which is expected to benefit firms in its supply chain.

6.4 On a sector level, industrials, healthcare and consumer discretionary detracted. US electronics distribution and services company Wesco was a negative to performance as shares suffered following a negatively received investor day and concerns that increased competitive pressures would adversely affect pricing trends also weighed on the stock. The holding in US media giant CBS gave up some of its gains after a multi-month advance despite delivering a solid set of earnings result that were ahead of expectations. Healthcare exposure was a net detractor with Shire's share price retreating in the quarter, primarily due to concerns about the pharmaceutical company's haemophilia franchise.

7. Wellington

7.1 During the quarter, the Global Research Equity Portfolio outperformed the Index with eight of the eleven sectors adding value. Stock selection within information technology, real estate and industrials were the primary contributors to relative outperformance while stock selection in energy and healthcare offset some of these gains.

7.2 Within information technology, Arista Networks and ServiceNow were among the top contributors this quarter. Arista Networks, a supplier of cloud-computing switches and other services, continued its strong momentum from the previous quarter and delivered strong earnings results. ServiceNow, a US-based cloud-computing company, delivered healthy first quarter results expanding operating margins.

7.3 Real estate boosted relative performance in this quarter. American Tower, an owner and operator of wireless and broadcast communications infrastructure, reported a good quarter with clear acceleration in tenant demand. US leasing activity was strong and the company's international growth remains steady.

7.4 In industrials, the overweight exposure to XPO Logistics, a truck broker and third party logistics company, contributed to relative returns. Given the stock's strong performance, it looks relatively less attractive against peers, and with greater risk of disintermediation and price compression, the stock will be carefully monitored.

7.5 Energy weighed on relative results this quarter. Newfield Exploration, an exploration and production company, reported strong results with earnings and cash flow ahead of expectations. However, despite improvements in operations, oil price uncertainty has weighed heavily on not only Newfield, but other exploration and production companies as well.

7.6 MEG Energy, a Canadian oil-sands company, detracted from relative returns. Oil sands remain relatively high cost in terms of bringing new projects online, but once built, the all-in cost of running them is relatively low as these are mines and not wells that must be drilled over time. These upfront costs of these mines have caused investor scepticism, but with a recovery in oil, the company stands to do well.

7.7 Healthcare was also a weaker area of the portfolio this quarter. The portfolio's lack of exposure to Novartis detracted from relative results as did the overweight exposure to UCB, a Belgium based pharmaceutical company. The company announced that the Food and Drug Administration will further analyse the data and a previously filed study, which will push out the US approval decision until 2018. There are investor concerns on this near-term disappointment are overdone and therefore this stock has been added to the portfolio.

Richard Bates
Pension Fund Administrator
September 2017

DORSET COUNTY PENSION FUND

Quarterly Report 30 June 2017

YOUR PORTFOLIO

Fund performance objective

The fund objective is to outperform the benchmark by 0.5% per annum net of the standard management fees.

Fund asset allocation and benchmark ranges

Fund and benchmark index	Fund allocation (%)
RLPPC Over Five Year Corporate Bond Fund Benchmark: iBoxx Sterling Non-Gilt Over 5 Year Index.	100.0

Portfolio value

	Portfolio total (£m)
30 June 2017	**317.07**
31 March 2016	313.50
Change over quarter	3.57
Net cash inflow (outflow)	0.00

EXECUTIVE SUMMARY

Performance

- The Fund gave a gross return of 1.14% over the quarter, compared with a benchmark return of 0.59%.
- Market focus turned more towards to central bank policy in the second quarter, with sentiment proving relatively resilient to political risk, despite signs that the strong global growth and inflation momentum from the beginning of the year were beginning to fade.
- The key drivers of Fund performance were the bias towards financials, and subordinated bonds in particular, and the underweight allocation in supranationals. The allocation to the Royal London Sterling Extra Yield Fund was also beneficial, and the short duration position had a small positive impact on relative performance.

The economy and bond markets

- Global economic data remained fairly robust, although there were some signs of a cooling in momentum, especially in the UK and the US. Political concerns eased following Emmanuel Macron's victory in the French elections, but reawakened in May and June with the UK's snap election and commencement of Brexit negotiations.
- The US Federal Reserve (Fed) delivered its second hike of the year in June, while central banks in Japan, the UK and Europe maintained loose monetary policy. However, government bond yields rose sharply towards the end of the period as comments from UK and European central bank chiefs awakened expectations that monetary policy support might be withdrawn earlier than anticipated. UK economic growth for the first quarter of 2017 was revised down from 0.7% to 0.2%, reflecting weakness in consumer sectors, while inflation rose to 2.9%.
- Sterling investment grade credit outperformed UK conventional and index linked government bonds. Gilt yields rose and the average sterling investment grade credit spread narrowed by five basis points (bps) to 107bps.

Investment outlook

- The global economy has shown greater buoyancy in recent quarters, but we think much of this stronger global growth has now peaked; commodity prices have fallen, and there are signs that China's industrial cycle is beginning to turn.
- In the UK, we expect real incomes to be squeezed by higher inflation, and we expect the BoE to keep rates on hold through this year and the next.
- We anticipate one further rate rise by the Fed in 2017.

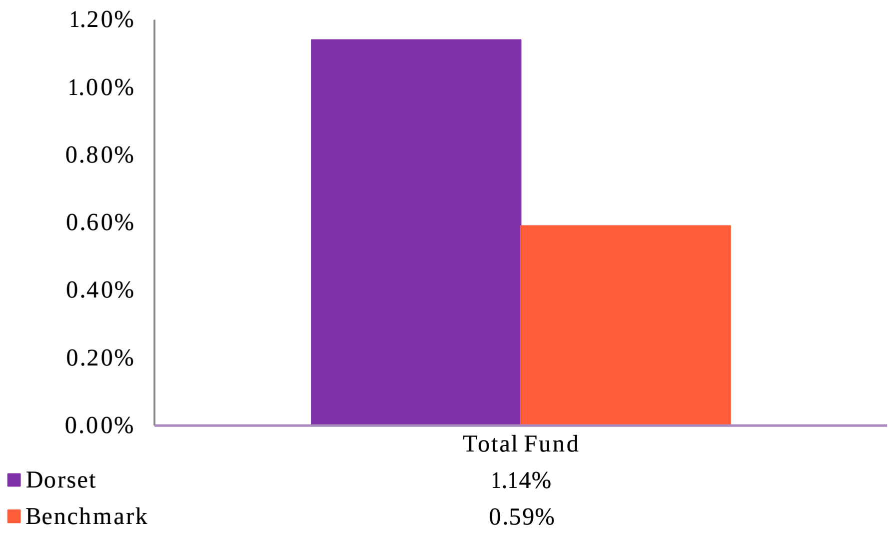
FUND PERFORMANCE

The table below shows the gross performance of your portfolio and the benchmark for the periods ending 30 June 2017:

Performance

	Fund (%)	Benchmark (%)	Relative (%)
Q2 2017	**1.14**	**0.59**	**0.55**
Rolling 12 months	8.54	6.39	2.15
3 years p.a.	8.97	8.55	0.42
5 years p.a.	9.54	8.13	1.41
Since inception 02.07.07 p.a.	9.31	9.42	-0.11

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 2 2017

Asset split

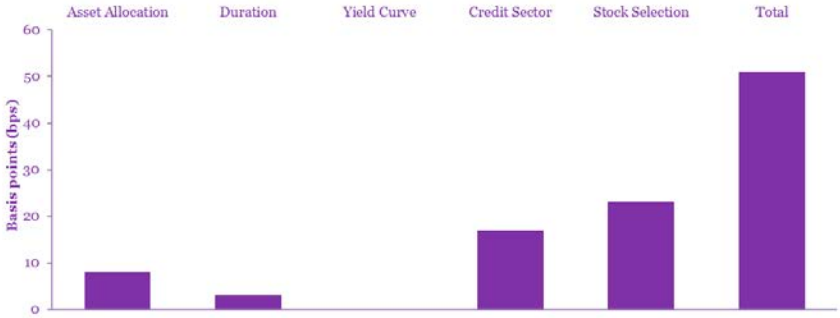
	Fund (%)	Benchmark[1] (%)
Conventional credit bonds[2]	99.8	98.8
Index linked credit bonds	0.0	0.0
Sterling conventional gilts	0.0	0.0
Sterling index linked gilts	0.0	0.0
Foreign conventional sovereign	0.2	1.2
Foreign index linked sovereign	0.0	0.0
Derivatives	0.0	0.0

Fund data

	Fund	Benchmark[1]
Duration	9.8 years	10.4 years
Gross redemption yield[3]	3.04%	2.50%
No. of stocks	286	675
Fund size	£398.2m	-

Launch date: 02.07.2007
[1] Benchmark: iBoxx Sterling Non-Gilt Over 5 Year Index.
[2] Conventional credit bond allocation includes exposure to non-sterling credit bonds and CDs, where applicable.
[3] The gross redemption yield is calculated on a weighted average basis.
Figures in relation to the asset spilt table exclude the impact of cash where held.

Performance attribution for quarter 2 2017

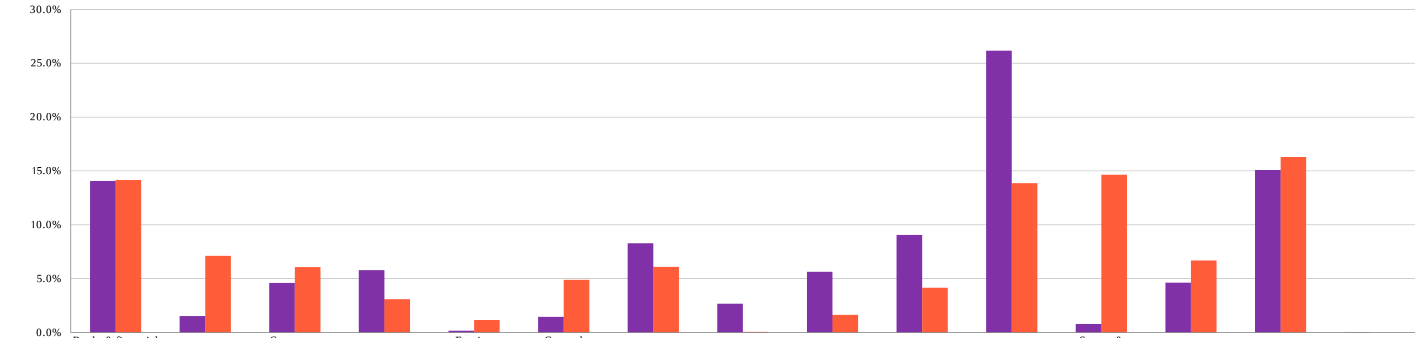


Source: *RLAM and UBS Delta. The above performance attribution is an estimate. Past performance is not a guide to future performance. The value of investments and the income from them is not guaranteed and may go down as well as up and investors may not get back the amount originally invested.*

RLPPC UK OVER 5 YEAR CORPORATE BOND FUND

Quarter 2 2017

Sector breakdown



	Banks & financial services	Consumer goods	Consumer services	Covered	Foreign sovereigns	General industrials	Insurance	Investment trusts	Real estate	Social housing	Structured	Supras & agencies	Telecoms	Utility	Other
PPLCP	14.1%	1.5%	4.6%	5.8%	0.2%	1.5%	8.3%	2.7%	5.6%	9.1%	26.2%	0.8%	4.6%	15.1%	0.0%
Benchmark	14.2%	7.1%	6.1%	3.1%	1.2%	4.9%	6.1%	0.1%	1.6%	4.2%	13.9%	14.7%	6.7%	16.3%	0.0%

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 significantly underperformed the broader sterling credit market over the quarter, as investor risk appetite remained resilient, supporting demand for corporate bonds.	The Fund's substantial underweight position in supranationals had a strong positive impact upon relative performance.
We continued to see value in financials (banks and insurers), and to favour a combination of covered bonds and subordinated bank debt over senior bonds.	Positioning within financials was broadly unchanged, with underweight exposure to senior unsecured debt offset by above-benchmark exposures to subordinated debt and covered bonds.	Financial sectors outperformed over the quarter, led by subordinated debt, as investor concerns about the stability of the banking system eased and positive risk sentiment continued to underpin demand for risk assets. Covered bonds underperformed the broader market.	The overweight allocation to financial bonds and the preference for subordinated debt were beneficial for relative performance, although this was partially offset by the exposure to 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.	Consumer sector bonds lagged the market overall as the BoE completed its corporate bond purchase programme, which included many bonds from these areas. The industrials sector also underperformed, as growth expectations cooled, and the oil price dropped significantly.	The low weighting in consumer and industrial sectors was a positive factor in relative performance.

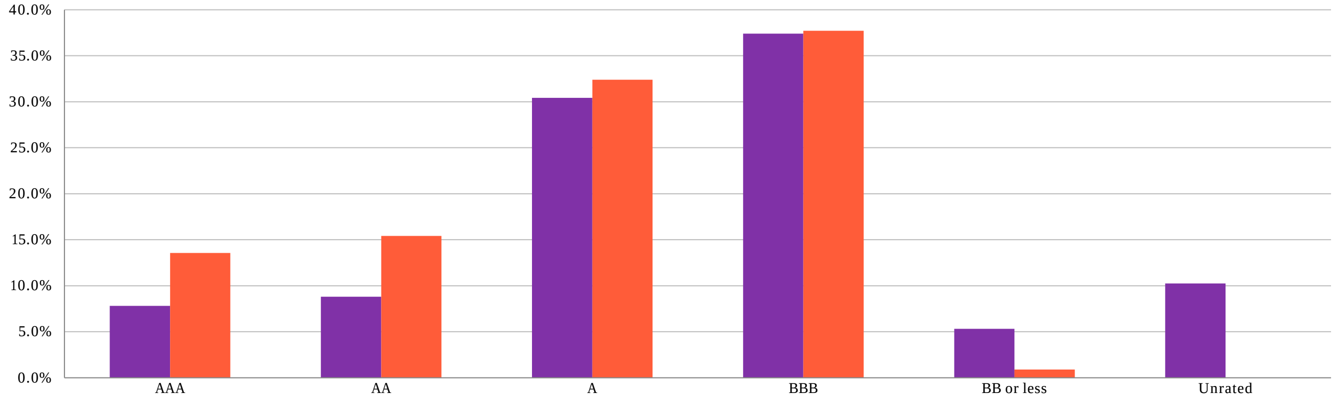
Sector breakdown continued

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.	While slightly underperforming the broad sterling credit market over the quarter, secured and structured sectors performed relatively well among the non-financial sectors.	Stock selection within secured and structured bonds had a positive impact on performance.

RLPPC OVER 5 YEAR CORPORATE BOND FUND

Quarter 2 2017

Rating breakdown



	AAA	AA	A	BBB	BB or less	Unrated
PPLCP	7.8%	8.8%	30.4%	37.4%	5.3%	10.3%
Benchmark	13.6%	15.4%	32.4%	37.7%	0.9%	0.0%

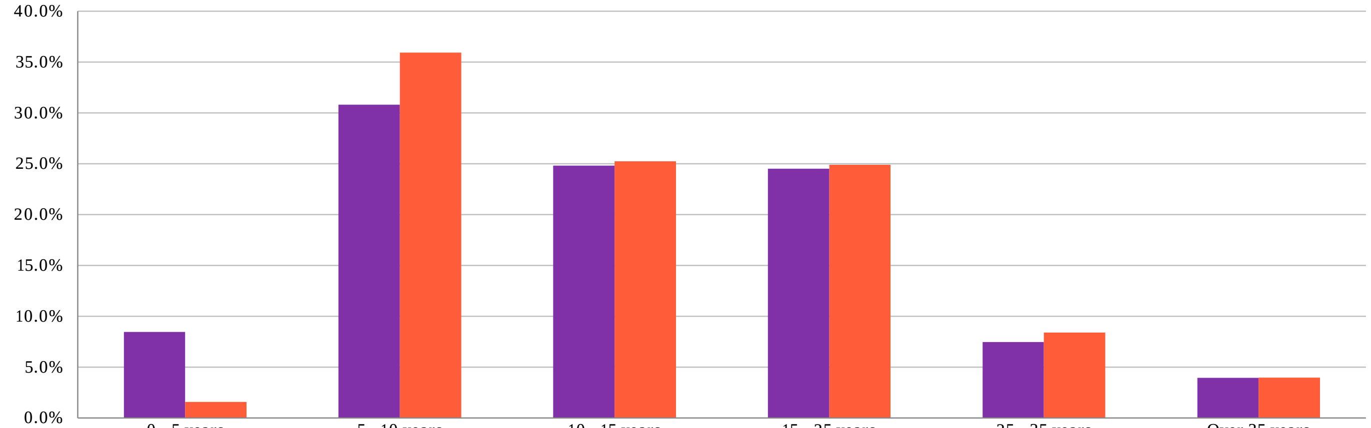
Source: *RLAM. Figures in relation to your portfolio exclude the impact of cash held, although they do include the impact of CDs if held within your portfolio.*

What we thought	What we did	What happened	Effect on portfolio
We believed lower rated credit bonds offered better value than AAA / AA rated securities.	The bias towards lower rated bonds was maintained over the quarter.	Against a broadly positive market backdrop, with investors seeking higher yields, lower rated issues outperformed higher rated counterparts.	The bias towards lower rated debt had a strong positive impact upon 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. In part, this exposure reflected the Fund's holding in the Royal London Sterling Extra Yield Fund. Exposure to unrated bonds, which predominantly have investment grade risk characteristics and are in many instances secured, was broadly unchanged.	High yield bonds outperformed investment grade credit over the quarter, again reflecting positive sentiment, which supported risk assets and higher yields. The Royal London Sterling Extra Yield Bond Fund posted a gross return of 2.95% over the quarter.	Exposure to unrated and sub-investment grade bonds and to the Royal London Sterling Extra Yield Fund had a positive impact upon performance.

RLPPC UK OVER 5 YEAR CORPORATE BOND FUND

Quarter 2 2017

Maturity profile



	0 - 5 years	5 - 10 years	10 - 15 years	15 - 25 years	25 - 35 years	Over 35 years
PPLCP	8.4%	30.8%	24.8%	24.5%	7.5%	3.9%
Benchmark	1.6%	35.9%	25.2%	24.9%	8.4%	4.0%

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 versus the benchmark was maintained over the quarter.	Government bond yields were volatile during the quarter, rising close to 2017 highs following hawkish comments from the BoE in the closing days of the period.	The short duration position had a small positive impact upon relative performance.

RLPPC UK OVER 5 YEAR CORPORATE BOND FUND

Quarter 2 2017

Ten largest holdings

	Weighting (%)
Innogy Finance BV 6.125% 2039	1.2
Lloyds Bank Plc 6% 2029	1.2
Commonweath Bank of Australia 3% 2026	1.1
Electricite De France 6% 2114	1.1
Citigroup Inc 7.375% 2039	1.0
Annington Finance 0% 2022	1.0
Prudential Plc 5.7% VRN 2063	1.0
HSBC Bank 5.375% 2033	0.9
Abbey National Treasury 5.75% 2026	0.9
Co-operative Bank 4.75% 2021	0.9
Total	**10.3**

Source: *RLAM. Figures in the table above exclude derivatives where held.*

RLPPC UK OVER 5 YEAR CORPORATE BOND FUND

Quarter 2 2017

Fund activity

- Momentum in sterling investment grade bond issuance continued to be strong over the second quarter, rising above the 2016 rate for the same period, despite political and Brexit-related uncertainty. The Fund benefitted from ongoing investment opportunities afforded by high levels of issuance, with new issues performing well in secondary markets as sentiment towards corporate bonds remained robust.
- New issue activity in secured and structured sectors encompassed purchases of secured bonds of holiday village operator **Center Parcs** and **Channel Link** bonds, issued by Eurotunnel; profits were subsequently taken on the latter issue after the bonds performed well in secondary market trading. The Fund also purchased long-dated social housing bonds of **Martlet**, part of the Hyde Group operating across London and the South East, and of **Pen Arian Housing**, Wales' third largest housing association, as well as new secured bonds of **Mielil**, backed by central London commercial property. Away from new issues, the holding in **Land Securities** was switched into a social housing finance provider **The Housing Finance Corporation** and holdings were increased in secondary markets in real estate firm **Great Portland Estates**, and in investment trust **Majedie Investments**. The Fund's exposure to **Peabody Capital** was reduced, while the holding in real estate firm **Kennedy Wilson** was sold.
- Within financials (banks and insurance), the Fund purchased new senior unsecured bonds of **CYBG** (Clydesdale Bank and Yorkshire Bank), while activity in secondary markets included switching the exposure to tier 1 **Axa** bonds into a lower tier 2 issue and switching an exposure to **Barclays** into a longer dated bond of the same issuer.
- New issue activity in consumer sectors consisted of transportation company **Go-Ahead** and international brewing company and **Anheuser-Busch Inbev**; profits were taken on the latter new issue after the bonds performed well in secondary market trading and appeared to be fully priced. The holdings in **Marks & Spencer** and healthcare company **McKesson** were sold.
- Elsewhere, the exposure to telecommunications company **AT&T** was increased through the purchase of a new BBB+ rated issue, while the holding in **Verizon** was reduced.
- In general industrials, the Fund purchased a new BBB rated issue from auto parts manufacturer **GKN** while the Fund's exposure to global mining group **Rio Tinto** was sold.
- Within utilities, the Fund switched longer within issues from Australian gas infrastructure business **APT Pipelines**.
- The Fund maintained a 2.9% allocation to the **Royal London Sterling Extra Yield Bond Fund**, a diversified global portfolio of investment grade, unrated and high yield bonds, although approximately 75% of the holdings are sterling denominated. The allocation supported performance over the period, returning 2.95%, compared to the 0.49% return posted by the broader investment grade sterling credit market.

Key views in your portfolio

- 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 gradually trend higher.
- 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.

FURTHER INFORMATION

MARKET COMMENTARIES & INVESTMENT OUTLOOK

- Please click on link for further information.

CORPORATE GOVERNANCE & COMPLIANCE

- Please click on link for further information.

GLOSSARY

- Please click on link for a glossary on terms.

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MiFID (Markets in Financial Instruments Directive)

Pursuant to the FCA rules and based on information that we hold about you, we have classified you a 'Professional Client'.

Financial Statements

Portfolio Valuation

Trading Statement

Portfolio Valuation

As at 30 June 2017

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										
	134,600,814	GB00B1ZB3X88	RLPPC Over 5 Year Corp Bond Pen Fd	2.35563	169,551,490.93	317,069,714.66	0.00	317,069,714.66	0	100.0
				Funds Held total	**169,551,490.93**	**317,069,714.66**	**0.00**	**317,069,714.66**		**100.0**
				Grand total	**169,551,490.93**	**317,069,714.66**	**0.00**	**317,069,714.66**		**100.0**

Trading Statement

For period 01 April 2017 to 30 June 2017

Dorset County Pension Fund

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	Trade Date	Transaction Type	Nominal	Security	Price (£)	Book Cost (£)
Acquisitions						
Funds Held						
	06 Apr 2017	Acquisition Rebate	96,355.98	RLPPC Over 5 Year Corp Bond Pen Fd	2.37	228,015.82
					Funds Held total	**228,015.82**
					Acquisitions total	**228,015.82**

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DORSET COUNTY COUNCIL PENSION FUND

QUARTERLY REPORT Q2 2017

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DORSET COUNTY COUNCIL PENSION FUND

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1. EXECUTIVE SUMMARY: Q2 2017

MARKET

The UK property market continues to produce healthy returns despite heightened uncertainty in the wider economy. The IPD Monthly Index recorded a nominal total return of 2.5% in Q2 2017. Industrial was the best performing sector once again with a total return of 4.6%. This compares to 1.9% and 1.8% for offices and retail respectively.

This divergence of performance reflects occupier market conditions. Supply side constraints are supporting growth in industrial rents, however a combination of economic uncertainty, rising inflation and slowing consumer spending are beginning to impact occupier sentiment in other sectors.

With UK property yields well below long run averages and occupiers showing greater caution we continue to advocate a risk off approach and a strong focus on income management to ensure the portfolios continue to produce a sustainable and robust income return.

PORTFOLIO

The portfolio is well positioned to weather market uncertainty with a long AWULT (9.3 yrs to break) and has good exposure to secure index-linked income streams. The portfolio's void rate increased to 4.5% over the quarter, but remains well below the market average (6.9%). There were no purchases or sales. Four properties staircased from the Derwent Shared Ownership portfolio during the quarter.

Since the end of the quarter, the purchase of £15.75 million of units in vehicle holding Park Plaza Waterloo was completed.

Figure 1 Lease Length

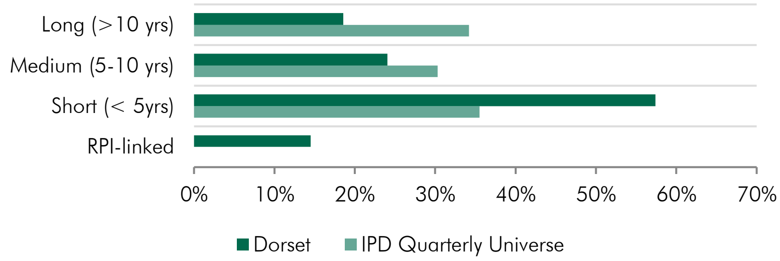
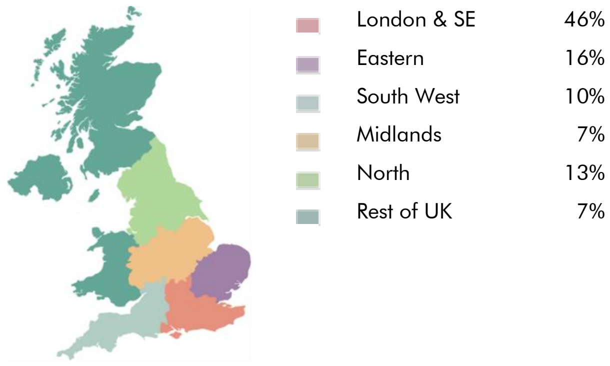


Figure 2 Geographical Structure



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	£222.2m	25
UK Indirect	£24.2m	2
Total value of portfolio	£246.4m	

NIY/EY	5.0%	6.0%
Vacancy rate	4.5%	
AWULT to expiry (lease to break)	9.1yrs	(8.5yrs)
Largest asset	Woolborough Lane, Crawley (£21.0m/8.5% of portfolio value)	
Largest tenant	ACI Worldwide EMEA (£1,070,000/9.5% of portfolio rent)	

Performance

Target: To achieve a return on Assets at least equal to the average IPD Quarterly Universe.

	Portfolio	Target	Relative
Q2 2017 %	3.4	2.4	1.0
1 Yr %	5.5	4.6	0.8
3 Yr % p.a. (2015-2017)	11.1	10.1	0.9
5 Yr % p.a. (2013-2017)	11.3	10.3	0.9

Transcations

	Q2 2017
Money available	£15.0m
Purchases	£0.0m
Sales	£0.2m

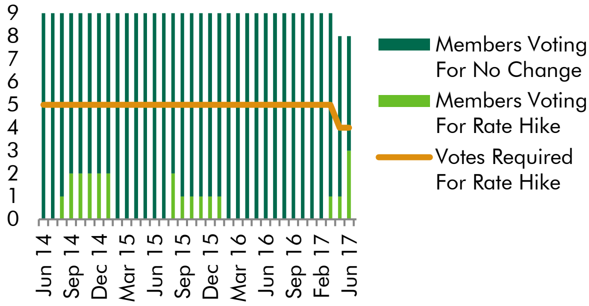
2. MARKET COMMENTARY

UK ECONOMIC OUTLOOK

As we enter the second half of the year and take stock of market conditions, two things are clear: the UK economy has held up much better than was feared in the immediate aftermath of last year's EU referendum, and this resilience is unlikely to be sustained. The UK has gone from being the best performing G7 economy in 2016 to the worst year to date and there are increasingly more signals that a slowdown is taking hold. Business sentiment surveys have weakened from multi-month highs, retail sales growth has moderated as inflation begins to bite and house prices and transaction activity has stagnated. We anticipate that during a period of heightened uncertainty, which ongoing Brexit negotiations and the new composition of Parliament foster, these forces will weigh on growth and hamper property performance.

Arguably, one of the biggest surprises during the past quarter was not the announcement of a snap General Election or even its result, but three members of the Bank of England's Monetary Policy Committee (MPC) voting for an interest rate hike (Figure 1). The split decision marks a change in the dovish tone: interest rates will not remain historically low forever. While markets are pricing a 50% probability of a rate hike by the end of the year, subsequent commentary from MPC members as well as the recent evolution of the economy suggest that this probability may be too high. Notwithstanding, we continue to believe that unforeseen increases to borrowing costs present one of the greatest threats to the economy.

Figure 1 Bank of England MPC Voting, number of members voting. Source: Bank of England



While uncertainly remains elevated for the broader market, it has arguably receded in Scotland. The loss of seats by the Scottish National Party in the General Election should assuage concerns of a second independence referendum, at least for the foreseeable future. Local commercial property performance and investment volumes have struggled to bounce back since the September 2014 vote. With the case for Union strengthened, investors may adopt a more positive stance toward the market. However, we see no compelling reason to become overly exposed as both political and economic obstacles remain. Improved liquidity could offer a window to dispose of assets that were previously unsaleable, while any new investments need to be high quality and demonstrate an additional risk premium over English equivalents.

UK PROPERTY PERFORMANCE

Though somewhat at odds with heightened economic uncertainty, the UK property market continues to generate healthy returns. At a market level, capital values rose for a third successive quarter in Q2 2017 with the main sectors measured by CBRE's Monthly Index delivering a positive result. The all property total return in Q2 2017 was 2.6%, which is effectively on par with the previous two quarters. As has been a reoccurring theme for the past year, industrials proved to be the most resilient sector, delivering a quarterly return of 4.0%. Offices and retail both underperformed the broader market delivering returns of 2.5% and 1.9%, respectively.

OCCUPIER MARKETS

Occupier markets have become noticeably more polarised. While rental growth has remained marginally positive at an all property level, more segments are beginning to show declines. Anecdotal evidence suggests that both economic and political uncertainty, rising inflation and the national living wage are influencing tenant decision making.

South East industrials, which are underpinned by a strong structural story and competing land uses, are the best performing property segment with the strongest medium term rental growth prospects. This is a key reason why pricing has become so keen. Retail faces considerable headwinds with ample supply, waning aggregate demand and a lack of new entrants. Insolvencies are likely to accelerate given the slowdown in consumer spending and the spectre of rising interest rates. Unfortunately, we do not anticipate that these threats to the sector will diminish any time soon.

Offices are gradually weakening from a healthy base. We are signing new leases in regional cities but terms are shortening. Tenant activity in Central London is patchy, with some lettings going through at strong rents, but other buildings, especially in fringe locations, having to moderate rental aspirations or offer greater incentives. From a cyclical standpoint, this segment of the market appears most vulnerable to rental declines.

The leisure sector, specifically restaurants, also looks susceptible in this regard given the prevalence of private equity ownership and recent expansion activity. With notably fewer requirements than a year ago, headline rents are coming under pressure. While clearly a nuanced occupational picture across the property market, we feel that the bargaining position is shifting from landlord to tenant. Hence, a strategic focus needs to be proactively managing income, lengthening leases and being sensible with rental expectations.

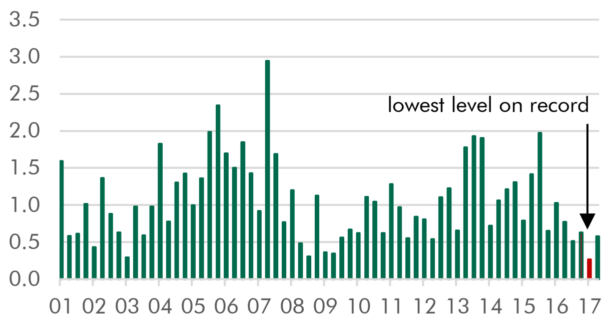
CAPITAL MARKETS

UK transaction volumes have remained remarkably flat since last year's EU referendum as many investors accept a higher degree of uncertainty, but have little pressure to invest. There are few motivated sellers and even fewer viable alternatives to redeploy capital. Round-trip costs further hinder asset churn. Whilst more assets will come to market after summer, given the weakening economic backdrop transactional velocity is likely to remain subdued by recent standards.

The majority of buying interest has been in sectors where investors feel most compelled, namely South East industrials, assets providing secure inflation-linked income and trophy assets. Demand for this type of stock far exceeds supply, which is having an obvious impact on pricing. Whilst this may be a deterrent to deploy capital, it could present opportunities to sell into such enthusiasm.

Continuing a recent trend, and in line with our house activity, UK institutions, have been net sellers of property. Domestic interest in the London office market, in particular, has fallen to a cyclical low, indicating a collective reluctance to invest in a vulnerable segment of the market (Figure 2). Local UK authorities, who have been able to borrow cheaply and aggressively acquire property often at historically strong prices, have come under public scrutiny. We suspect that this recently formidable force in the market will play less of a prominent role going forward. In a similar vein, retail property funds, burned by last year's post-referendum experience and fearful of regulatory change, are opting to remain on the side lines. Fortunately for market activity, overseas capital selectively sees value.

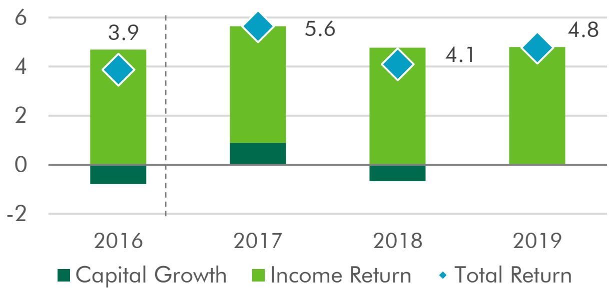
Figure 2 Domestic investment in Central London Offices, 12 month total, £bn. Source: RCA



OUTLOOK

For the past two years, we have been highlighting concerns about the advanced stages of the UK property market. In absolute terms, the asset class has become expensive as ultra-low interest rates have helped push yields well below long run averages. Last year's EU referendum result brought forward a correction that we were anticipating in the latter years of the forecast horizon. To date the impact has not been detrimental to performance, however the myriad risks we are all alert to raise concerns about the direction of the market.Our forecasts of 2017 property performance have improved marginally over the quarter, and we expect an outturn slightly stronger than last year with income complimenting modest capital value appreciation (Figure 3). Accepting an eventual increase in interest rates and below trend rental growth, we anticipate that the market will be able to generate a nominal total return of c. 5% p.a. over the coming three years. Although a fairly dull outturn relative to history, property's income advantage, in particular, and the prospect of relatively stable returns positions it favourably against other assets classes

Figure 3 All Property Total Return Components, 2017-19, % p.a. Source: CBRE Global Investors, Q2 2017



3. STRATEGY

Size	▪ Target portfolio size £260 million. Currently £246.4m.
Performance	▪ 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.
Income yield	▪ Maintain the portfolio income yield at a higher level than the IPD index net initial yield. ▪ Continue to focus on maintaining a low void rate and a resilient income yield. ▪ Ensure held properties / new acquisitions have strong rental growth prospects or a high income yield.

ALLOCATION

Property type	▪ Remain diversified while seeking to increase the average lot size and tenancy size via sales and purchases target core property holdings in good locations with a proportion of exposure to properties that will allow active management to generate outperformance. ▪ We anticipate maintaining a total of between 25 and 30 properties with an average lot size of c. £8m - £10m. ▪ 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.
Geographic allocation	▪ Diversified by location but with a bias towards London and the South East.
Sector allocation	▪ Diversified by sector with a maximum of 50% in any single sector. ▪ Target a lower than average weighting to Offices and Retail and a higher than average weighting to Industrial and Other commercial. ▪ Source suitable HLV* investments that could be available in any sector.

*HLV 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

Investment size	▪ Target a maximum of 10% in any single asset
Tenants	▪ Maximum rent from any single tenant 10% of rental exposure. ▪ Target financial strength better than the benchmark.
Lease length portfolio	▪ Target new assets where the lease expiry profile fits with the existing profile of the fund. ▪ Seek to maintain expiries in any one year below 10% of the fund's lease income. ▪ Target an average unexpired lease term in excess of the benchmark.
Development	▪ Development may be undertaken where the major risks can be mitigated and the risk/reward profile is sufficient to justify it.
Debt	▪ Avoid debt exposure.
Environmental and Social Governance ("ESG")	▪ Energy performance: to improve EPC ratings where it is financially viable and, where applicable, apply for certification.

4. PORTFOLIO OVERVIEW

UK direct*	£222.2m	90.2%
UK indirect**	£24.2m	9.8%
Total value of portfolio	£246.4m	100%

*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*	75 with a further 3 units void	70-100
Net initial yield	5.0% p.a.	Above benchmark
Vacancy rate (% of rent)	4.5%	Below benchmark
Rent with +10 years remaining	24.0% of total rent	Minimum 20% of total rent
Rent with +15 years remaining	7.4% of total rent	Minimum 10% of total rent
Largest property (% of value)	9.5% (Woolborough Lane IE, Crawley)	Below 10%
Largest tenant (% of rent)	8.5% (ACI Worldwide EMEA Ltd, Watford)	Below 10%
Tenure (Freehold/Leasehold)	81% / 19%	Minimum 70% freeholds

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:
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 Q2 2017. The portfolio net initial yield as measured by IPD is currently 4.8%. The margin over the benchmark has increased marginally during the quarter. The portfolio yield has reduced in general over the last year due to stronger market conditions and the acquisition of a lower yielding property which delivers secure RPI linked income and the sale of a higher yielding retail warehouse. The transactions have added to the quality of the income stream from the portfolio.

ACTION

The portfolio's initial yield currently is 20 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:

1. letting vacant space;
2. pursuing lease renewals with existing tenants at the earliest opportunity;
3. settling rent reviews where there are outstanding reversions;
4. closely monitoring non recoverable expenditure.

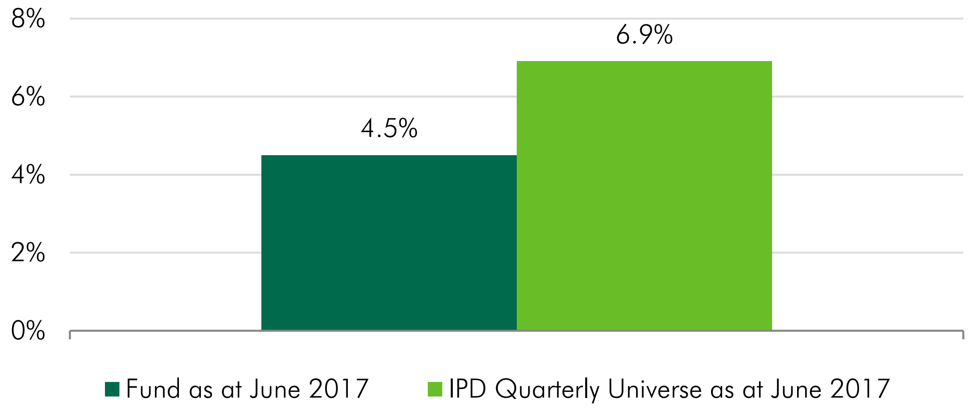
	Portfolio	IPD Quarterly Universe
Initial yield p.a.	5.0%	4.8%
Equivalent yield p.a.	6.0%	5.7%
Income return over quarter	1.2%	1.1%

VACANCY RATE

AIM – maintain a low void rate through letting vacant space and mitigating future expiry risks.

The vacancy rate currently amounts to 4.5% of ERV, less than half the amount in the benchmark (6.9%). The portfolio's void rate comprises an industrial unit at Phoenix Park (Unit 7), two office floors at Pilgrim House, Aberdeen and 131 Great Suffolk Street, London which became vacant during the quarter.

Figure 10 Vacancy Rate



ACTION

Seek to let vacant space through using best in class letting agents and proactively manging 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.

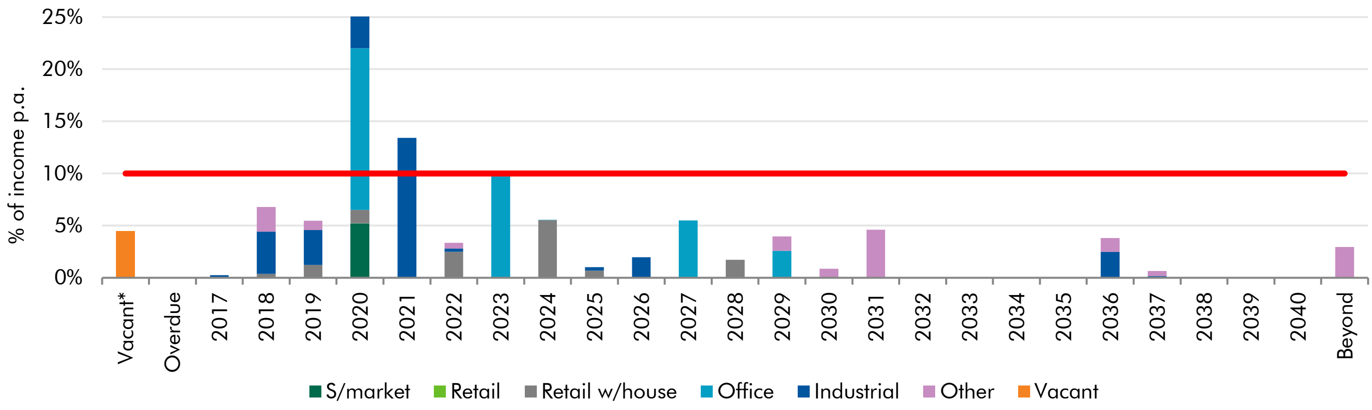
UNEXPIRED LEASE TERM, YEARS

	PAS assumption*	Incl All Breaks	Excl. all breaks
Fund	9.3	8.7	9.3
Benchmark	12.0	11.1	12.5

*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 main risk is the 2020 expiry spike. The vast majority of these are already being discussed with tenants. Neogtiations are progressing with Tesco to agree a lease regear on their unit in Sheffield. Their lease currently expires in October 2020 but we are discussing options for a reversionary lease of either fifteen or twenty years. This represents 5.3% out of the 18.9% of income currently expiring in 2020.

Figure 11 Lease Expiry Profile



*Vacancy expressed as percentage of ERV

ACTION

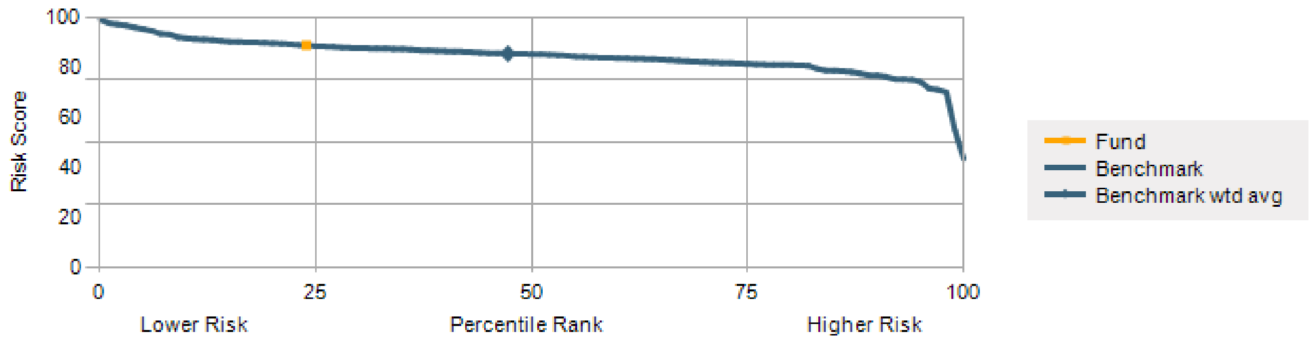
Seek to extend the average lease length through the active management of lease events in the portfolio. Aim to establish a "dumbbell" shaped expiry profile to allow short term asset management to be balanced by long term secure income.

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 June 2017. The Fund is now in the top quartile with a Weighted Risk Score on the 24th percentile. The score has improved since Q1 2017 (34th percentile), and remains well ahead of the benchmark (47.2) demonstrating that the covenant risk of the portfolio is below the average benchmark risk. IPD IRIS risk weightings are as at June 2017

Figure 12 Ranking Of Weighted Risk Score



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 is in line with this target. At 15% the HLV component of the income means a good proportion of the portfolio providing some form of index linkage. This will be increased further with the inclusion of the income from Park Plaza, Waterloo, the acquisition of which completed post quarter end.

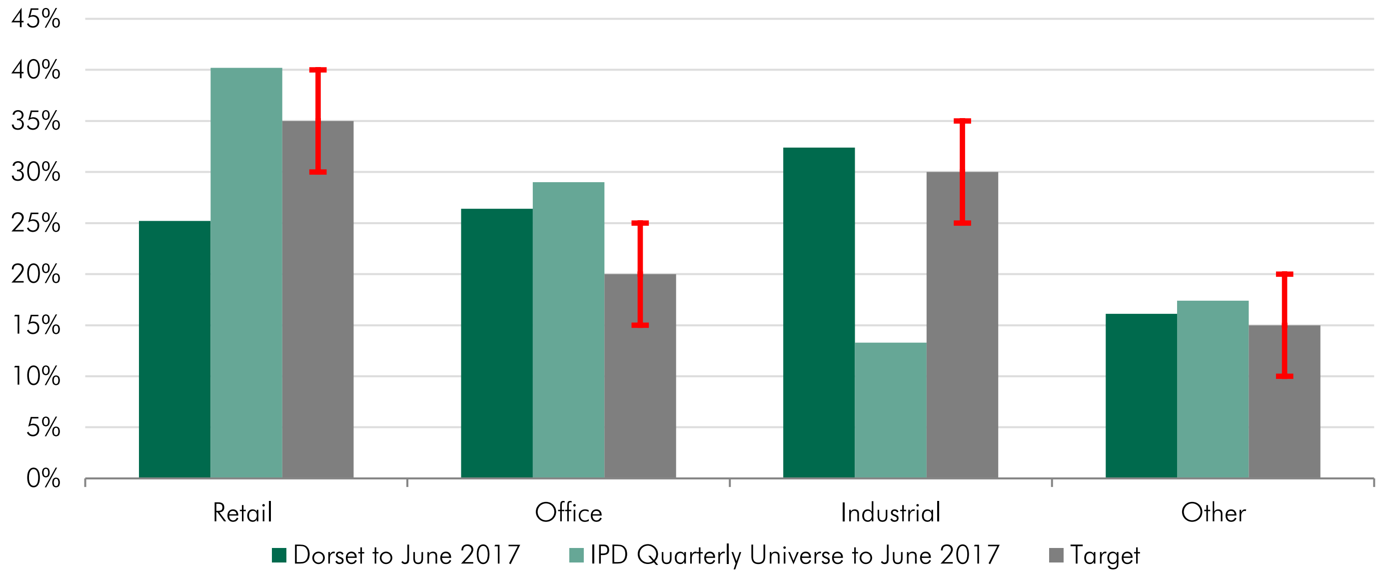
% of portfolio income	Q2 2017
Open market income	85%
RPI/Index linked income	15%

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.

Figure 13 Portfolio Sector Weightings



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 and below benchmark weighting to offices, given that overall these two sectors have been the poorest performing sectors 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 therefore considered a positive 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 development at Cambridge Science Park began during the quarter. During Q2 the build contract was signed and ground works for phase 1a (the decked car park) commenced on site. All pre-commencement planning conditions were also signed off by the local planning authority.

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. UK DIRECT PORTFOLIO ACTIVITY

Below are examples of key drivers of performance within the Fund over the last quarter:

- During the quarter, the rent review of the GSF Car Parts unit was settled at arbitration. The rent grew from £72,500 p.a. (£9.10 psf) to £74,870 p.a. (£9.40 psf). The award provided for a 12% discount for quantum due to the unit's relatively large size of 7.970 sq ft.
- Post quarter end, the rent review on the Toolstation unit has also been settled at £24,680 p.a. (£10.52 psf).
- The outstanding rent reviews from 2015 in respect of Hilti and UK Bathroom Village should now be settled with rental uplifts, taking into account the arbitration award and Toolstation review settlement.

Address	South Bristol Trade Park, Bristol
Sector	Industrial
Valuation Q2 2017	£4.9m

- Since our last report, the building contract with Kier was completed.
- Ground works for Phase 1A (the decked car park) have commenced.
- The pre-construction planning conditions have been met and signed off by the Local Authorities.
- Discussions are ongoing with Anglia Water in respect of the intersection of their wayleave with the corner of the proposed carpark. This issue is expected to be resolved in due course.
- A licence to use some of the adjoining occupier's car parking spaces is also in the process of being agreed.

Address	Cambridge Science Park, Cambridge
Sector	Office
Valuation Q2 2017	£12.2m

6. TRANSACTIONS

There were no purchases in Q2 2017

SALES – STAIRCASINGS FROM THE DERWENT PORTFOLIO

Address	5 Leysfield Gardens, Chellaston, Derby, DE73 6PL
Sector	Residential – Derwent Portfolio
Transaction	Full Staircasing of a 2 bed house
Completion Date	9th June 2017
Dorset's Purchase Price*	£39,999 (gross of all fees)
Net Dorset Sale Receipt*	£56,698

*The values reported are for the Fund's 50% share.

Address	7 Leysfield Gardens, Chellaston, Derby, DE73 6PL
Sector	Residential – Derwent Portfolio
Transaction	Full staircasing of a 2 bed house
Completion Date	26th April 2017
Dorset's Purchase Price*	£39,919 (gross of all fees)
Net Dorset Sale Receipt*	£58,982

*The values reported are for the Fund's 50% share.

Address	21 Comfrey Close, Littleover, Derby, DE23 3UF
Sector	Residential – Derwent Portfolio
Transaction	Full staircasing of a 3 bed house
Completion Date	8th May 2017
Dorset's Purchase Price*	£49,424 (gross of all fees)
Net Dorset Sale Receipt*	£71,013

*The values reported are for the Fund's 50% share.

Address	41 Alexandra Mill, Great Northern Road, Derby DE1 1LW
Sector	Residential – Derwent Portfolio
Transaction	Full staircasing of a 2 bed flat
Completion Date	21st June 2017
Dorset's Purchase Price*	£38,109 (gross of all fees)
Net Dorset Sale Receipt*	£41,632

*The values reported are for 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 2017 is to ensure that the portfolio remains in a strong position to capture rental growth.
- The Manager is continuing to review the situation in respect of Charlotte House, Newcastle, following the forfeiture of the lease with the tenant, Charlotte House Limited. This has led to the building becoming a direct let student accommodation block which will take some investment and time to reposition within the market. Having unsuccessfully sought to dispose of the property during Q2 the Manager will now hold and stabilise the asset during the next student year in order to maximise the return from the investment.
- During Q2 2017 the manager sought to dispose of 131 Great Suffolk Street, London SE1, following the departure of the tenant in April. This asset was purchased as a relatively short term hold in 2014. The asset was marketed for offers in excess of £4.5m and placed under offer at £5.3m. However, post quarter end the sale fell through. The property is now back under offer at £4.905m to another purchaser. In the interim the property has suffered from squatters who have since been evicted to enable the sale to proceed. The Manager now has 24 hour security in place until the sale completes.
- Post quarter end the Fund invested £15.725m into the new vehicle set up to acquire Park Plaza, Waterloo. This purchase will increase the portfolio weighting to assets delivering an element of RPI linked income and will provide exposure to a different sector of the market within the "Other" category.
- In addition, the two indirect holdings will continue to be monitored and if an opportunity arises to reduce the Fund's holdings at a sensible price, this will be pursued. It is not however the intention of the Manager to fully divest. See Appendix 2 for further information about the indirect holdings.

TRANSACTIONS COMPLETED POST QUARTER END

PURCHASES

Address	Waterloo Park Plaza, London SE1
Sector	Hotel
Purchase price	£15.725m (contribution)
Conventional / HLV	High Lease Value

- Post quarter end CBRE Global Investors has completed the acquisition of the freehold of the recently developed Park Plaza hotel, in Waterloo, for a total consideration of £160m, equating to a net initial yield of 3.27% p.a.
- The transaction has been structured as a sale and leaseback with Park Plaza, for a lease term of 199 years, at a starting rent of £5.6m p.a.
- The purchase price equates to 65% of day one vacant possession value and the starting rent equates to 54% of the property's estimated rental value.
- The lease allows for annual rent reviews in line with the RPI (collared at 2% and capped at 4%).
- The investment is held by a Guernsey Property Unit Trust, whereby a number of CBRE Global Investors' clients have allocated capital.
- Income from the investment (and the associated costs of the vehicle) has been divided proportionately between the co-invested parties, based upon their initial capital allocation.
- Redemptions from the vehicle will be available after the first seven years, and five yearly thereafter. However, we expect that the parties invested in the vehicle at the outset will hold the investment for the long term.
- The deal completed in early July. We forecast that the investment will realise a real return of 3.0% p.a. over the long term.

7. UK DIRECT 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.

Q2 2017	Portfolio	Benchmark	Relative
Capital growth	2.1%	1.3%	0.9%
Income return	1.2%	1.1%	0.1%
Total return	3.4%	2.4%	1.0%

Source: CBREGI and IPD Quarterly Benchmark Report

The portfolio has outperformed the benchmark over the last three months, with a total return of 3.4% against the benchmark return of 2.4%. This was mainly driven by the outperfromance of the industrial assets. Pilgrim House, Aberdeen was again the worst performing asset in the portfolio contributing -0.5% to the overall total return driven by a fall in capital value of -15.5%, due to market conditions caused by continuing depressed oil prices. The income return from the portfolio was slightly better than the benchmark at 1.2%. With capital performance anticipated to slow again over the next 12 months the Fund's income return will remain a key driver of performance.

12 months to Q2 2017	Portfolio	Benchmark	Relative
Capital growth	1.6%	0.9%	0.7%
Income return	5.0%	4.7%	0.3%
Total return	6.8%	5.6%	1.1%

Source: CBREGI and IPD Quarterly Benchmark Report

3 yrs to Q2 2017	Portfolio	Benchmark	Relative
Capital growth	5.7%	5.1%	0.6%
Income return	5.2%	4.8%	0.4%
Total return	11.1%	10.1%	0.9%

Source: CBREGI and IPD Quarterly Benchmark Report

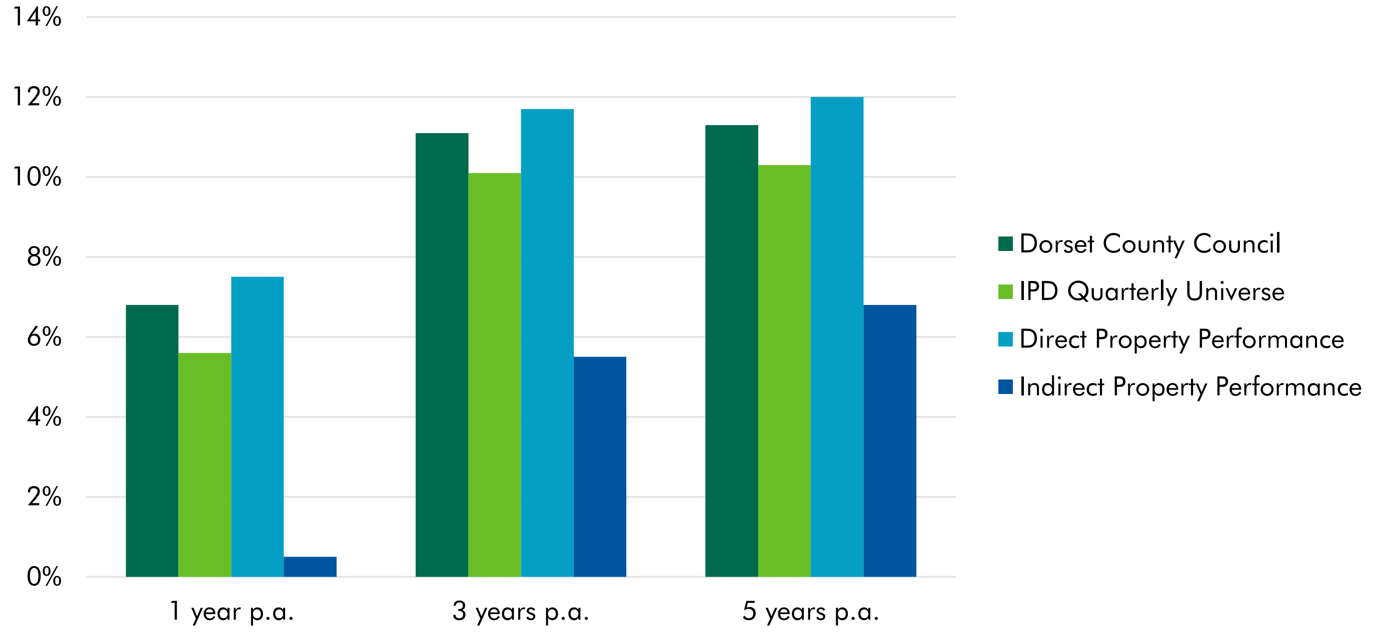
5 yrs to Q2 2017	Portfolio	Benchmark	Relative
Capital growth	5.4%	4.9%	0.4%
Income return	5.7%	5.1%	0.5%
Total return	11.3%	10.3%	0.9%

Source: CBREGI and IPD Quarterly Benchmark Report

The portfolio continues to outperform the benchmark over 1, 3 and 5 year periods. This outperformance has been delivered both by the strong income return and capital growth over the longer time periods. 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

Figure 14 Annualised Total Return Rolling Performance



The portfolio is 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 has been weaker than the direct holdings across the timeframes shown. The indirect property holdings comprise Shopping Centre exposure; the assests 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. ACCOUNTING AND ADMINISTRATION

RENT COLLECTION AND ARREARS

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 THREE MONTS OLD)

Target	
GREEN	Max. £25,000, no single item over £10,000
AMBER	Max. £75,000
RED	Above £75,000
RESULT	30 June 2017 RED £138,472.92 31 March 2017 RED £131,467.29 31 December 2016 RED £131,515.46 30 September 2016 RED £151,727.09 The arrears position is skewed due to £134,408.78 of arrears at Charlotte House, Newcastle. The lease was forefeited during Q3 2016 through legal action. A liquidation notice has been submitted, in an attempt to recover further arrears. The Manager will continue to seek to secure the outstanding arrears at Newcastle. Excluding Charlotte House, Newcastle from the arrears the results are "green".

SPEED OF RENT COLLECTION

Target	
GREEN	90% of collectable rent banked by 6th working day after the quarter day, 95% by 15th working day
AMBER	80% by 6th working day, 90% by 15th
RED	Worse than Amber
RESULT	30 June 2017 GREEN (95.5% collected by 6 days, 98.7% by 15th day) 31 March 2017 GREEN (99.3% collected by 6 days, 98.0% by 15th day) 31 December 2016 AMBER (85.1% collected in 6 days, 94.7% by 15th day) 30 September 2016 GREEN (97.7% collected in 6 days, 100% by 15th day)

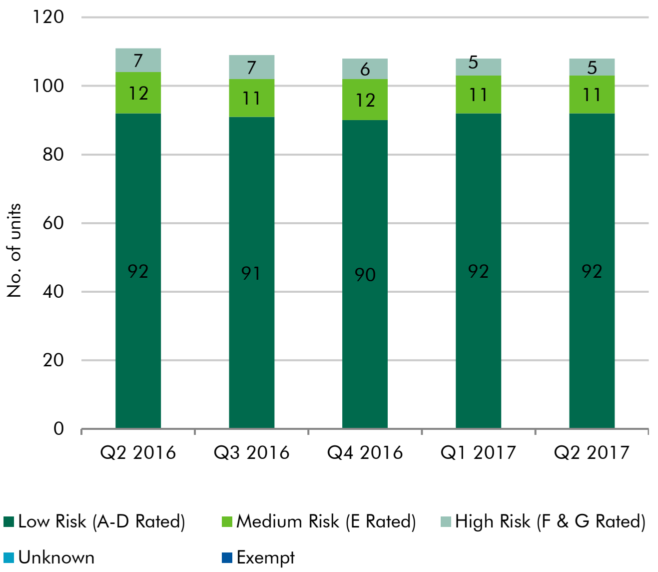
SERVICE CHARGES – ACCOUNT CLOSURE POSITION

Target	
GREEN	all service charge accounts closed within 3 months of the year end
RED	any account not closed
RESULT	GREEN

9. 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.

Figure 15 Change in level of risk across all units (left) and value (right) within the Fund



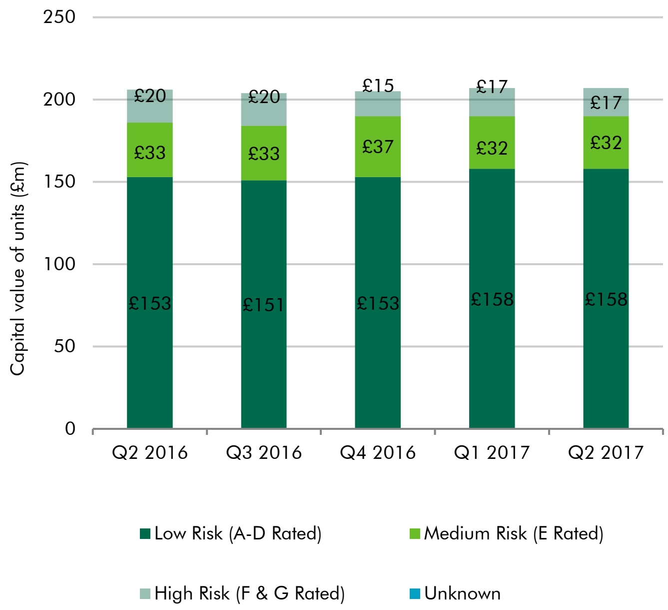


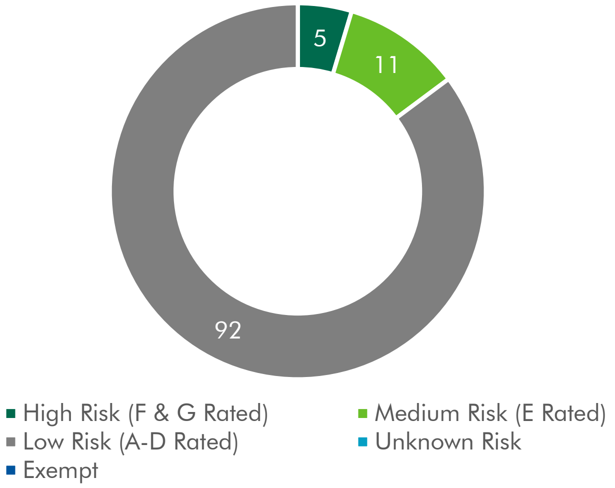
Figure 15: Change in level of risk across all units (left) and value (right) within the fund; Valuation data is updated annually in Q1.

COMPLETED PROJECTS: Q2 2017

Size	Unit	Action	Outcome
All	All	Green Lease Clauses	The green lease clauses have been refined and amended as per comments from solicitors on all funds.
All	All	Tenant engagement	Identified priority sites and tenants to engage with over the next 6 months to increase energy efficiency in the selected properties.
Apsley Way Industrial Estate, London NW2	Unit B	Modelled EPC ordered	A modelled EPC has been ordered for this unit. Awaiting the results.
75-81 Sumner Road, Croydon	Unit 4	Modelled EPC ordered	A modelled EPC has been ordered for this unit. Awaiting the results.

ACTIONS FOR MITIGATING RISK ACROSS THE PORTFOLIO

Figure 16 Strategy For Risk Mitigation For Remaining Medium And High Risk Units



Action plan for Medium / High Risk units	Number of units
Carry out high quality EPC	2
Scottish properties	2
Tenant engagement	1
Monitor – potential sale	0
Consult on current works	2

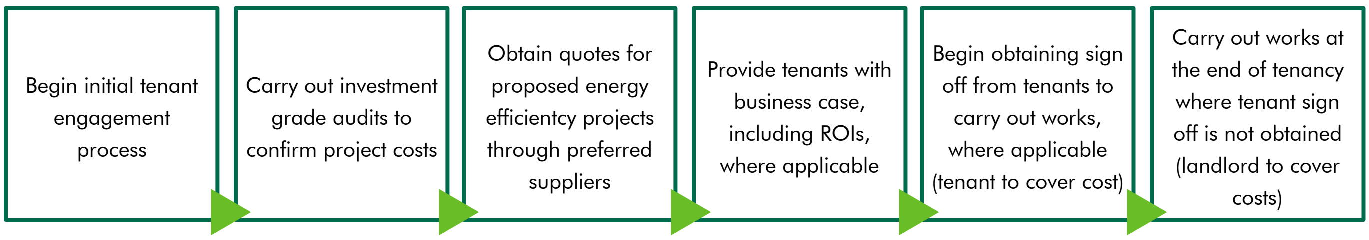
Figure 16 outlines the actions that have been identified to improve the EPC ratings of all units with E, F, or G ratings. Managed risk refers to all units that will be upgraded at the end of current tenancies, prior to the legislation taking effect.

RISK MITIGATION PROCESS

Where possible, tenants will be engaged to help spread the cost of investment and mitigate risk.

Figure 17 illustrates the process that will be undertaken throughout the year to engage with tenants.

Figure 17 Process For Carrying Out Risk Mitigation Actions



PLANNED PROJECTS: Q3 2017

Size	Unit	Action	Outcome
South Bristol Trade Park	Unit 3B	Modelled EPC	Modelled EPC to provide improvement measures in order to move the unit into medium/low risk category.
Dunbeath Court, Swindon	All	Tenant Engagement	Electronic version of tailored pamphlet distributed to key tenants. Work with tenants and property managers to implement energy efficiency projects to improve EPC rating.
Sumner Road, Croydon	All	Tenant Engagement	Engagement with retail tenants for possible upgrades to lighting systems. Identify payback periods and financial structure for each tenant. Measures will affect the energy efficiency of the assets and improve EPC rating.
Cathedral Retail Park, Norwich	All	Tenant Engagement	Engagement with retail tenants for possible upgrades to lighting systems. Identify payback periods and financial structure for each tenant. Measures will affect the energy efficiency of the assets and improve EPC rating.

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APPENDIX 1

SCHEDULE OF VACANCIES

Property	Sq.ft. to let	% of Portfolio ERV	Total Void Rent	Status
Great Suffolk Street, London	8,000	2.1%	£197,500	To be sold
1st and 2nd floor, Pilgrim House, Aberdeen	13,805	1.9%	£276,100	Marketing
Unit 7, Phoenix Park, Staples Corner, London	5,131	0.5%	£69,300	Under Offer
TOTAL PORTFOLIO VOID		4.5%	£642,900	

APPENDIX 2

INDIRECT PORTFOLIO

PORTFOLIO COMPOSITION

The Dorset portfolio is invested in the following funds and as at 30 June 2017 had a value of £24.2 million.

The performance of the Dorset indirect portfolio was 0.4% over the last quarter and 0.5% over the last 12 months. This return is based on May 2017 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	-	9.651
Standard Life UK Shopping Centre Trust	Standard Life	Shopping Centres	-	14.587
Total			**-**	**24.238**

INVESTMENT ACTIVITY

There was no transactional activity during the quarter.

COMMENTARY

The Dorset indirect property portfolio has three indirect holdings, although the holding in CBRE Retail Property Fund Britannica Unit Trust has no value and is in wind down. These are specialist funds that provide the portfolio with exposure to the shopping centre sector. The combined indirect investments have a value of £24.2 million and nil look-through exposure to gearing.

LEND LEASE RETAIL PARTNERSHIP

Lend Lease Retail Partnership produced a total return of 0.6% over the quarter and -0.4% over the year.

During the quarter a valuation uplift at Bluewater Shopping Centre, Kent was offset by a fall in value at Touchwood, Solihull with the fund's NAV remaining flat. Therefore the total return over the quarter was driven by income.

The valuation of Bluewater Shopping Centre, increased by 2.0% as a result of an inward yield shift. The valuation of Touchwood Shopping Centre, Solihull decreased by 1.5% as a result of a 10 bps outward yield shift as leases for a number of key tenants, such as Apple and Zara, are now on a rollover basis. Both of the aforementioned tenants are due to relocate within the scheme during the second half of 2017 in accordance with their strategy to 'right size' their units, which will reflect an upsizing of their space representation at Touchwood.

During the quarter, the manager continued with asset management initiatives at the two schemes:
At Bluewater, the manager completed/ exchanged on four new lettings, one lease renewal and six rent reviews. There was also an increase in income from commercialization and further progress was made at the Plaza development with additional cinema and restaurants proposed, extending the food village offering at the asset.

At Touchwood one lease renewal was concluded and two vacancies at the asset are being dealt by solicitors. New business rates on the car park were reflected in valuations reducing the net rent during the quarter.

The manager is pursuing an early wind-down with the fund's 25% interest in Bluewater Shopping Centre put on the market for sale, ahead of the formal commencement fund wind-down of November 2017. This is being marketed in conjunction with GIC's 17.5% interest in the asset. We expect progress to be made before end of 2017.

The manager is also considering sale options for Touchwood in which the fund holds a 100% interest.

STANDARD LIFE UK SHOPPING CENTRE TRUST

Standard Life UK Shopping Centre Trust produced a total return of 0.5% over the quarter and 1.3% over the last 12 months.

Over the quarter, the return was driven by income performance. At quarter end, the trust had a net asset value of £1.6 billion with the portfolio providing exposure to six shopping centres across the UK (following the sale of One Stop, Perry Barr at the end of 2016). The fund remains ungeared and the portfolio has a weighted average unexpired lease term of 7.9 years.

As at quarter end, the void rate increased to 4.7% (by ERV) however this would fall to c2.8% taking into account the impact of the signed agreement for lease with Zara who are taking the former BHS unit in Brighton. The Zara unit has received strong interest from three occupiers and it is anticipated that the letting of this unit will complete imminently.

At Centre Court, Wimbledon a lease renewal has been agreed with Boots and a new lease has been agreed with Smith Florist which has improved income. Fund Income across the portfolio is diversified with no tenant paying more than 4% of the Trust's total passing rent. At Brent South Retail Park, positive rent reviews were settled on two units with Sofa Workshop and Designer Living; this has led to ERV increases across two units occupied by Next.

There were no acquisitions or sales over the quarter however the strategy is to dispose of weaker, generally smaller assets that are likely to underperform and Palace Gardens, Enfield has been shortlisted, subject to sales advice. Regarding development opportunities, the fund is looking to retain a long-term exposure to both Brent Cross and Brighton (where development is planned), and participate in the development of both assets. The Fund has an available cash balance of circa £87.7m which is being held for capital expenditure and other working capital required to deliver asset management initiatives across the portfolio.

At Brent Cross, the more active of the two assets with development / extension proposals, the Waitrose lease has been re-geared and Zara has taken an agreement for lease on the former Gap unit. During Q2, four other leases were completed at the centre, two were above ERV. The Manager is in discussions with a number of capital sources interested in funding the extension to Brent Cross. Further engagement with unitholders is due to commence during August 2017, when more details on the transaction will be made available.

APPENDIX 3

PORTFOLIO VALUATION

Valuation Schedule (UK Property)
Q2 2017

Property Address	June 2017	Qtr Total Return [1]	Annual Income	OMRV	Net Initial Yield [2]
OFFICES					
Aberdeen, Pilgrim House	£6,000,000.00	-14.7%	£318,862.00	£517,414.00	5.0%
Cambridge, The Eastings	£3,500,000.00	1.4%	£190,500.00	£226,000.00	5.1%
Cambridge, 270 Science Park	£12,200,000.00	4.4%	£266,616.00	£1,070,616.00	2.1%
London EC1, 83 Clerkenwell Rd	£17,650,000.00	1.2%	£836,000.00	£1,034,000.00	4.4%
London N1, 15 Ebenezer St & 25 Provost St	£8,725,000.00	1.8%	£304,175.00	£712,700.00	3.3%
Watford, Clarendon Road	£15,250,000.00	1.8%	£902,750.00	£1,189,000.00	5.6%
TOTAL OFFICES	**£63,325,000.00**	**0.2%**	**£2,818,903.00**	**£4,749,730.00**	**4.2%**
RETAIL WAREHOUSE					
Northampton, Becket Retail Park	£6,300,000.00	3.4%	£431,000.00	£429,700.00	6.4%
Norwich, Cathedral Retail Park	£16,100,000.00	1.7%	£1,074,000.00	£1,054,000.00	6.3%
Rayleigh, Rayleigh Road	£3,625,000.00	5.2%	£222,783.00	£222,783.00	5.8%
TOTAL RETAIL WAREHOUSE	**£26,025,000.00**	**2.5%**	**£1,727,783.00**	**£1,706,483.00**	**6.2%**
SUPERMARKET					
Tesco, Sheffield	£10,600,000.00	1.6%	£680,000.00	£680,000.00	6.0%
TOTAL SUPERMARKET	**£10,600,000.00**	**1.6%**	**£680,000.00**	**£680,000.00**	**6.0%**
INDUSTRIAL					
Bristol, South Bristol Trade Park	£4,850,000.00	7.7%	£258,106.00	£294,335.00	5.0%
Crawley, Woolborough IE	£21,000,000.00	11.7%	£917,962.00	£1,262,200.00	4.1%
Croydon, 75/81, Sumner Road	£3,125,000.00	7.3%	£137,000.00	£169,800.00	4.1%
Heathrow, Skylink	£5,000,000.00	9.3%	£125,478.00	£256,300.00	2.4%
London, Phoenix Park, Apsley Way	£11,850,000.00	7.1%	£487,469.00	£620,813.00	3.9%
London, Apsley Centre	£3,850,000.00	11.2%	£165,900.00	£202,400.00	4.1%
London, 131 Great Suffolk St	£5,250,000.00	20.6%	£0.00	£297,500.00	0.0%
Sunbury, Windmill Road	£11,250,000.00	3.8%	£659,750.00	£735,650.00	5.5%
Swindon, Dunbeath Court	£5,000,000.00	5.9%	£333,716.00	£339,800.00	6.3%
Swindon, Euroway IE	£12,250,000.00	3.4%	£803,422.00	£817,935.00	6.2%
TOTAL INDUSTRIAL	**£83,425,000.00**	**8.2%**	**£3,888,803.00**	**£4,996,733.00**	**4.4%**
OTHER					
Derwent Shared Ownership	£10,280,000.00	8.9%	£382,837.00	£382,837.00	3.7%
Glasgow, Mercedes	£10,500,000.00	1.4%	£597,453.00	£566,600.00	5.4%
Leeds, The Calls	£7,450,000.00	1.6%	£480,644.00	£487,950.00	6.1%
Macclesfield, Hope Park	£6,350,000.00	0.9%	£236,964.00	£236,964.00	3.5%
Newcastle, Charlotte House	£4,200,000.00	-10.1%	£115,178.00	£304,800.00	5.6%
TOTAL OTHER	**£38,780,000.00**	**1.9%**	**£1,813,076.00**	**£1,979,151.00**	**4.4%**
TOTAL DIRECT PROPERTY	**£222,155,000.00**	**3.5%**	**£10,928,565.00**	**£14,112,097.00**	**5.0%**
INDIRECT PROPERTY					
Lend Lease Retail Partnership	£9,650,760.00	0.6%	£320,984.00		
Standard Life Investments UK Shopping Centre Trust	£14,587,107.65	0.3%	£545,272.00		
TOTAL INDIRECT PROPERTY	**£24,237,867.65**	**0.4%**	**£866,256.00**		
GRAND TOTAL	**£246,392,867.65**	**3.4%**	**£11,794,821.00**	**£14,112,097.00**	**5.0%**

Notes:

1. Total returns for both the direct and indirect properties for the quarter to June 2017 as reported by IPD (Direct Property Standing Investments). Indirect Funds Total returns for the quarter to June 2017 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 June 2017 valuations; these are always marginally in arrears due to early reporting deadlines required by IPD.

APPENDIX 4

AFFILIATED SERVICES

Property	Fee	Service
Aberdeen, Pilgrim House	£500.00	Rates
Crawly, Woolborough Lane Industrial Estate	£3,142.35	Rates
Portfolio	£1,850.00	ESG – Q3 2016
Q2 2017 Total	**£5,429.35**	

CBRE
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INVESTORS

Dorset County Pension Fund

Insight mandate investment update at 30 June 2017

Our understanding of the Fund’s objectives and strategy

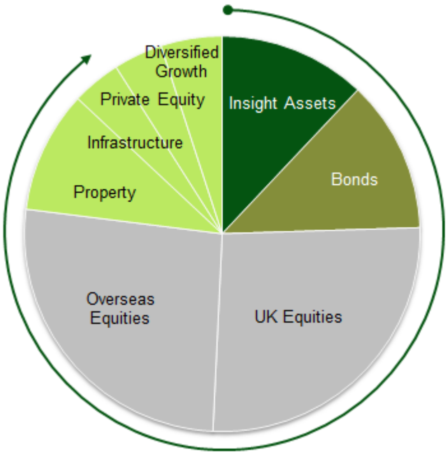
Funding objectives and policy

- 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.£2.74bn at 31 March 2017)



Source: Dorset County Pension Fund.

Performance to 30 June 2017

	3 months		12 months		Since inception	
	%	£	%	£	% p.a.	£ cum.
Portfolio	-2.76	-7,612,403	46.81	90,327,241	92.44	137,266,103
Benchmark	-3.45	-9,796,691	36.82	74,672,299	83.18	125,445,803
Relative	**0.69**	**2,184,288**	**9.99**	**15,654,942**	**9.26**	**11,820,301**

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 -0.9% as a proportion of the value of the inflation exposure hedged and the portfolio return was -0.7% on that basis.

Hedge coverage measures

- Liability benchmark inflation sensitivity as % of mandate cash flows: 23%
- Present value of inflation exposure hedged as % of mandate cash flows: 23%
- Present value of inflation exposure hedged as % of total Pension Fund assets: 40% (based on 31 March 2017 total Fund asset value)

Collateral position

- Leverage ratio stood at 2.9x at 30 June 2017. This is based on the present value of liabilities covered by the inflation hedge of £1,086.1m and a portfolio value of £373.3m.
- Collateral stress tests: a 0.2% fall in inflation expectations (swap RPI rates) would reduce the value of the portfolio by c.£42m and a 0.6% fall in inflation expectations would reduce the value of the portfolio by c.£120m.

Portfolio valuation and hedge characteristics as at 30 June 2017

	Value	Interest rate sensitivity (PV01[1])		Inflation sensitivity (IE01[2])	
	£m	**£k**	**% of benchmark**	**£k**	**% of benchmark**
Conventional gilts	175.8	-279	37.5	0	0.0
Index-linked gilts	300.3	-786	105.7	772	35.5
Futures	1.3	71	-9.5	0	0.0
Interest rate swaps	-95.3	362	-48.7	0	0.0
RPI swaps	27.1	-112	15.0	1,396	64.1
Repurchase agreements	-89.7	1	-0.1	0	0.0
Network Rail bonds	3.9	-10	1.4	10	0.5
Insight Libor Plus Fund	12.4	0	0.0	0	0.0
Liquidity	37.5	0	0.0	0	0.0
Total assets	**373.3**	**-754**	**101.3**	**2,179**	**100.0**
Liability benchmark	**274.8**	**-744**	**100.0**	**2,178**	**100.0**

[*]The value of the inflation exposure hedged is c.£1,086.1m

[1] PV01: change in present value of a series of future cash flows resulting from a 0.01% shift in the relevant discount curve.

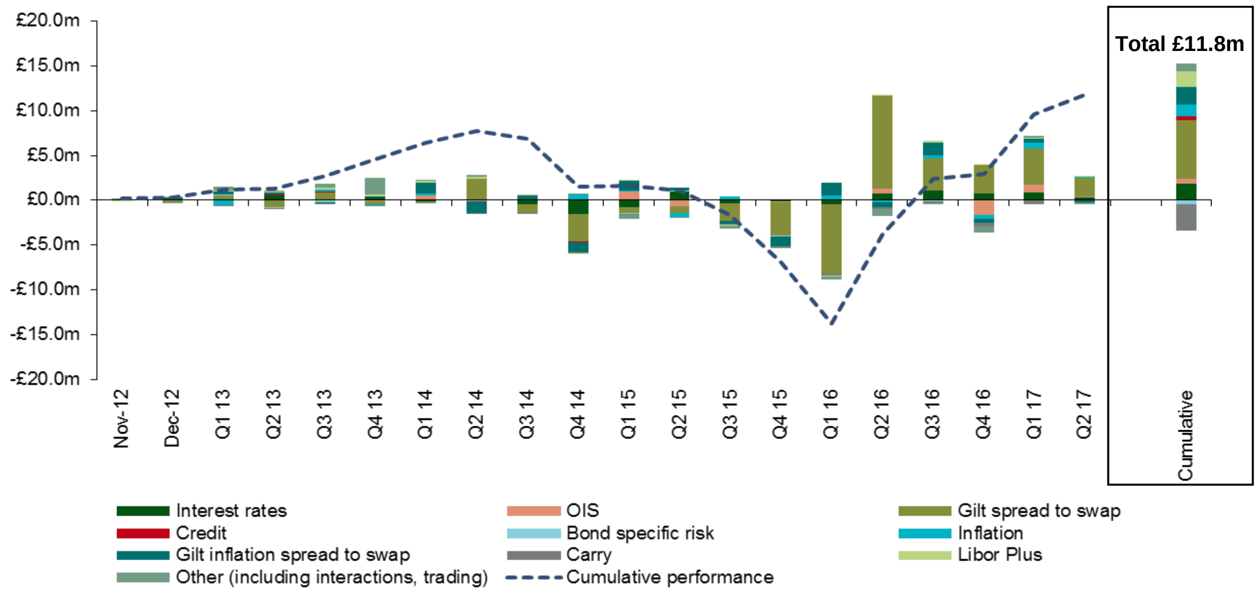
[2] IE01: change in present value of a series of future cash flows resulting from a 0.01% shift in the relevant inflation expectation curve.

Performance commentary

- Benchmark performance in the second quarter of 2017 was driven by further falls in the cost of inflation protection through swaps (particularly at shorter maturities) and rises in real yields on index-linked gilts. The 20 year RPI swap rate ended the quarter at 3.54% and the 20 year yield on index-linked gilts was at -1.60%.
- The portfolio outperformed the benchmark return over the quarter, with the most material benefit arising from further tightening in z-spreads (yields on gilts contracted over the quarter relative to swaps).

Relative performance attribution (monetary)

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 and table below shows the performance attribution of the portfolio relative to its benchmark since inception.



Relative performance attribution factor	3 month £m	12 month £m	Since inception £m
Interest Rates	0.3	3.0	1.8
OIS	0.1	-0.7	0.5
Gilt Spread to Swap	2.1	12.8	6.6
Credit	0.0	0.0	0.4
Bond Specific Risk	-0.1	-0.1	-0.5
Inflation	0.1	0.7	1.3
Gilt Inflation Spread To Swap	-0.1	1.2	2.0
Carry	-0.2	-1.3	-2.9
Libor Plus Fund	0.1	0.6	1.8
Other	-0.1	-0.5	0.8
Relative performance	2.2	15.7	11.8

Recap of mandate evolution

- The hedge was initially accumulated using market based triggers and also through time-based accumulation between July and October 2014.
- Triggers were suspended in March 2016 pending further discussion of the evolution of the mandate. Subsquently a new set of investment guidelines was put in place in October 2016 and the hedge was restructured to reflect a move to a pro-rate slice of the inflation exposure of the projected liability cash flows based on the March 2013 actuarial valuation. Triggers are no longer being monitored.

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Agenda Item 14

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