



Dorset County Pension Fund Annual Report 2016/17



Dorset County Pension Fund
Administered by Dorset County Council

Contents

3	Management Organisation
5	Chairman's Statement
7	Fund Background
8	Overall Performance
12	Activity
13	Scheme Membership and Benefits
22	Actuary's Statement
44	Policy Documents – Summary
	Full Reports
46	Statement of Investment Principles
57	Compliance with the updated Myners Principles
65	Communications Policy Statement
73	Governance Compliance Statement
82	Funding Strategy Statement
89	UK Stewardship Code
91	Ethical Investments
92	Voting Issues Policy
99	Pensions Administration Strategy Report
108	Custodian
109	Committee Training Policy
110	Accounts

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.

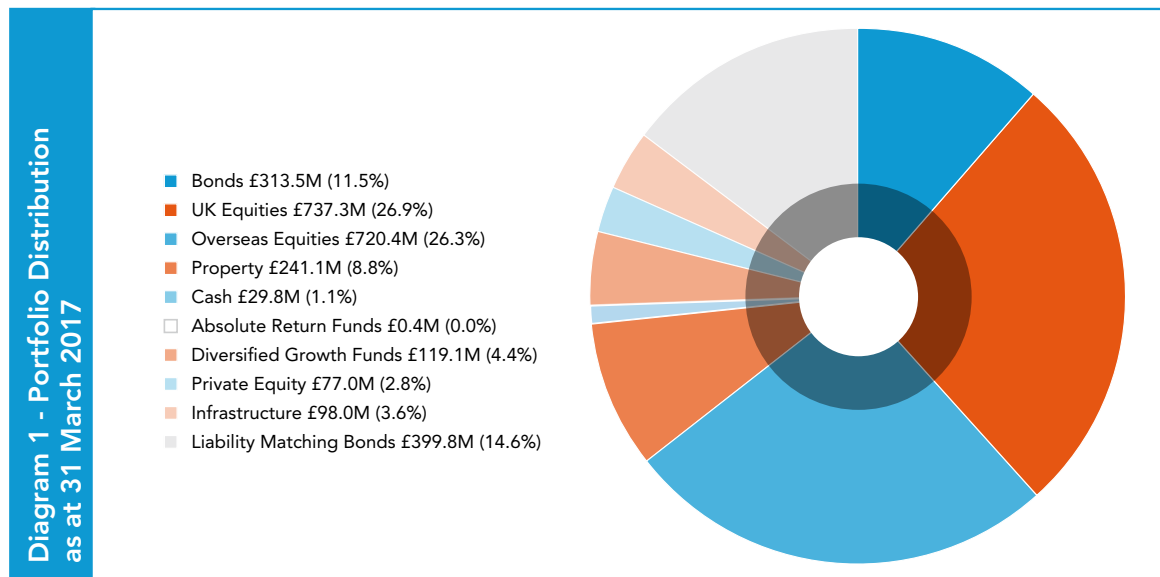
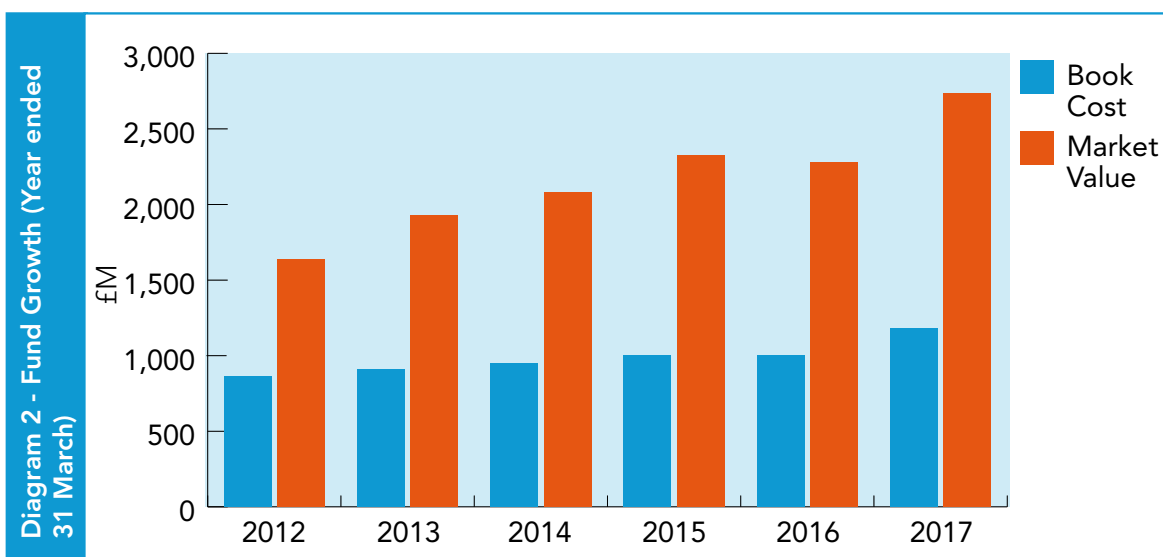


Diagram two shows the change in value of the Fund over the last six years as at 31 March and highlights the contribution made over time by the appreciation of assets (value less cost).



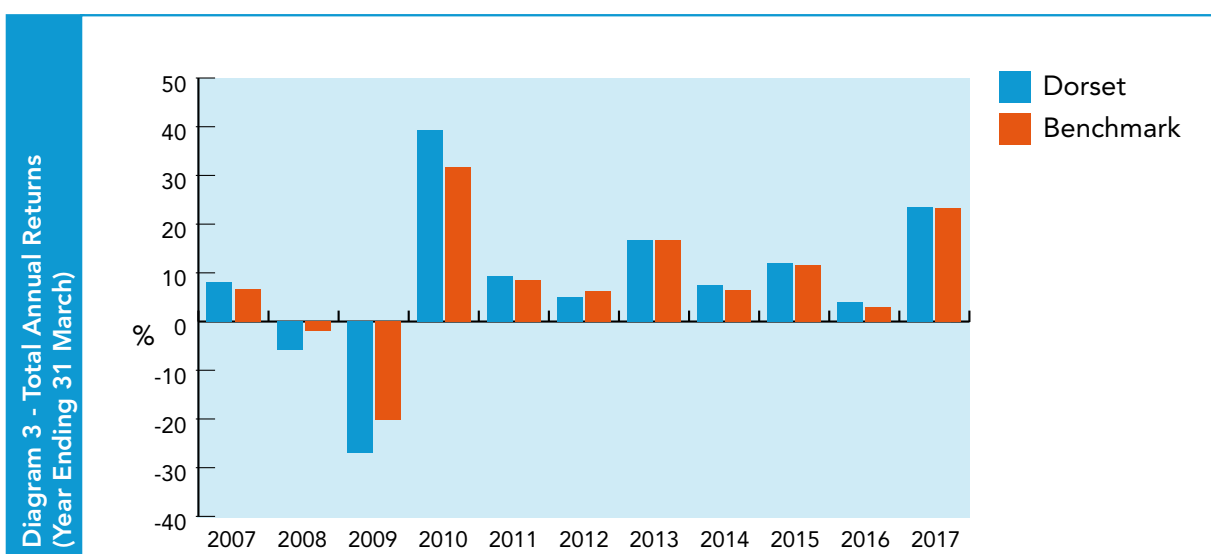


Diagram three shows the total return of the Fund compared with its benchmark for each of the last ten years as at 31 March. The benchmark was the WM Local Authority Average to 31 December 2003, and has been the Fund specific benchmark since then.

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

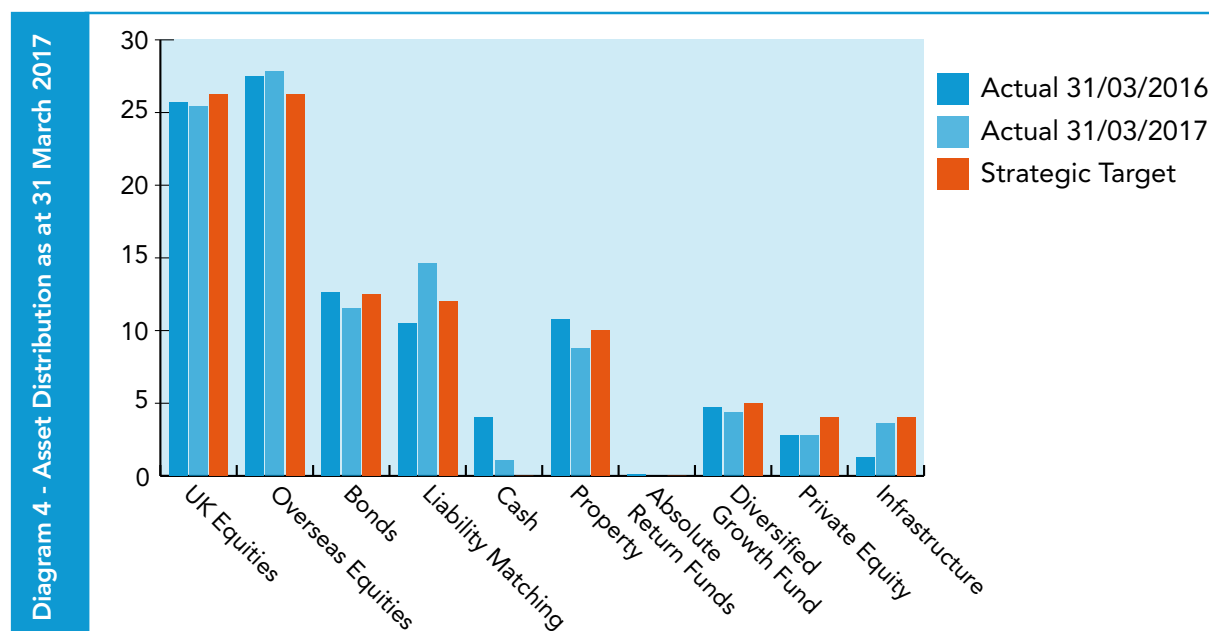
During the five year period, the Fund has outperformed its bespoke benchmark with a return of 11.8% compared to 11.1%. Positives to performance were HarbourVest who outperformed its benchmark by 9.3%, whilst Standard Life Private Equity outperformed its benchmark by 3.5%. Schroders and rlam both outperformed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

Asset Class	Manager	31-Mar-16		31-Mar-17		Target Allocation	
		£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	2016/17
	£M	£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.

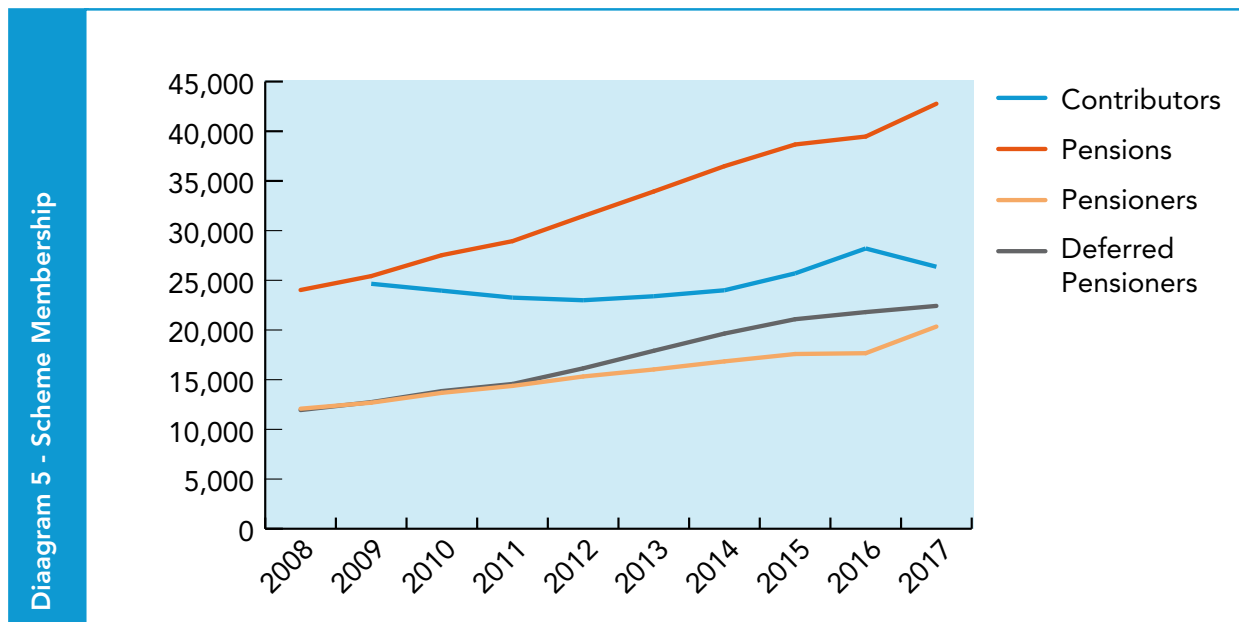
The employee contribution table for 2017/18 is shown below:

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.

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.

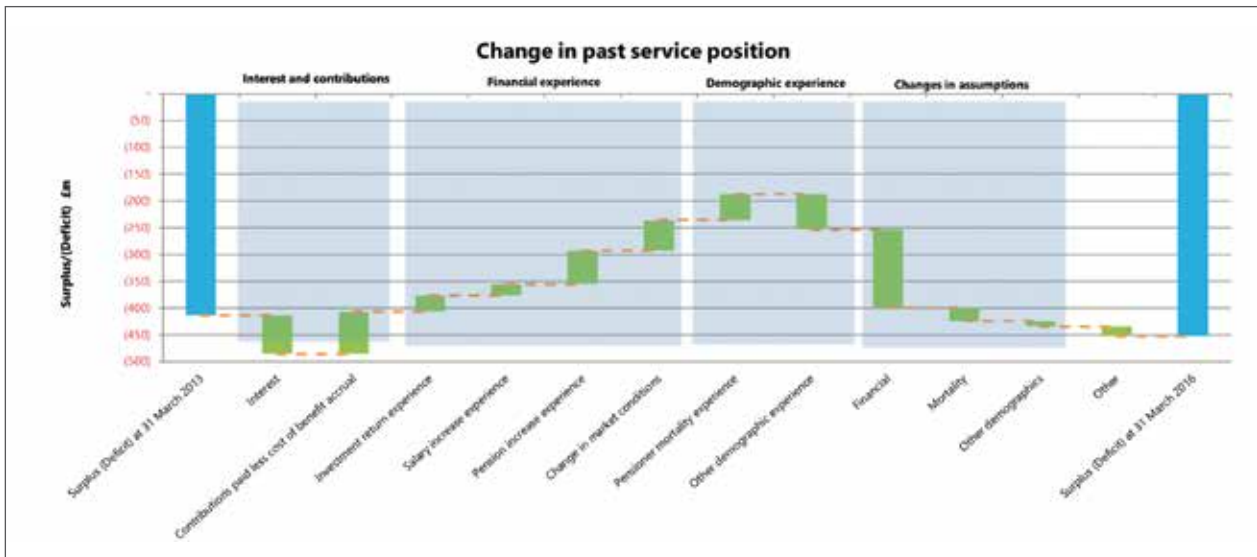
Past service funding position	31 March 2016 £M
Smoothed asset value Past service liabilities	2,249
Actives	992
Deferred pensioners	458
Pensioners	1,251
Total	2,701
Surplus (Deficit)	(452)
Funding level	83%

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

Reconciliation to previous valuation

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

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.



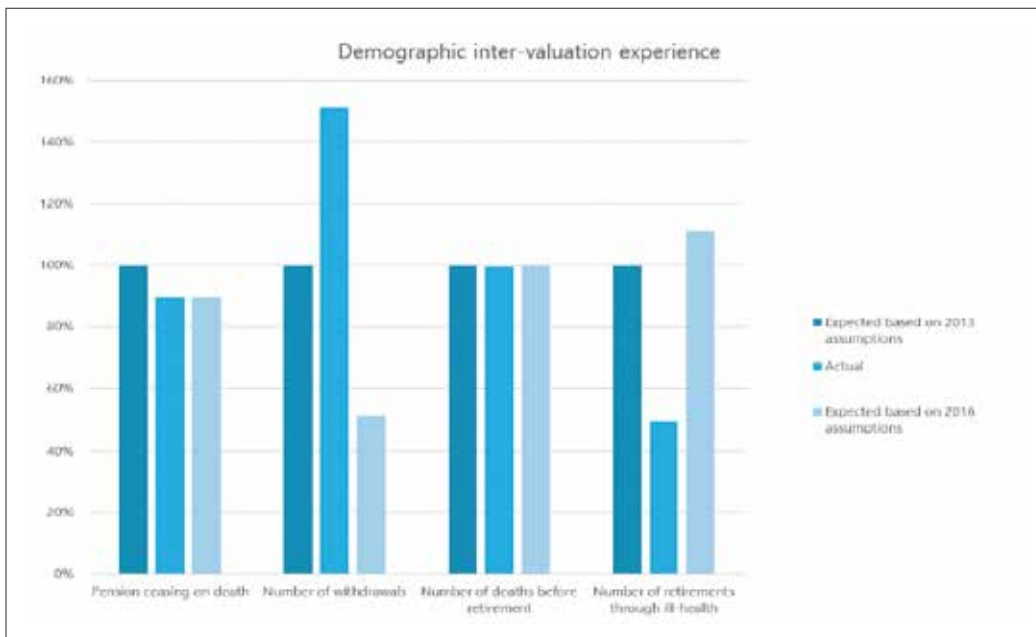
The funding level as a percentage has increased (due to good investment returns, employer contributions and pension increases being less than expected) although this has been partly offset by changes to the financial assumptions used.

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.

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	(0.5)
Change in assumptions	
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



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	
	2016	2013	Total £000		Average £		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	
	2016	2013	Total £000		Average £		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	
	2016	2013	Total £000		Average £		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	2017/18	2018/19
Dorset County Council						
993	Dorset County Council	16.0%	£6,255,000	£7,569,000	16.0% plus £6,255,000	16.0% plus £8,943,000
814	Lytchett Minster School	16.0%	5.5%	6.5%	21.5%	23.5%
924	Woodroffe School	16.0%	5.5%	6.5%	21.5%	23.5%
930	Budmouth Technology College	16.0%	5.5%	6.5%	21.5%	23.5%
968	Westfield School	16.0%	5.5%	6.5%	21.5%	23.5%
974	Shillingstone Primary School	16.0%	5.5%	6.5%	21.5%	23.5%
Bournemouth Borough Council						
900	Bournemouth Borough Council	15.2%	£3,785,000	£4,863,000	15.2% plus £3,785,000	15.2% plus £5,941,000
857	Maimesbury Park School	15.2%	9.0%	9.9%	24.2%	26.0%
858	Kinson Primary School	15.2%	9.0%	9.9%	24.2%	26.0%
872	St Michael's Primary School	15.2%	9.0%	9.9%	24.2%	26.0%
Borough of Poole						
903	Borough of Poole Council (non-education)	15.9%	£1,988,000	£2,193,000	15.9% plus £1,988,000	15.9% plus £2,193,000
	Borough of Poole Council (education)	15.9%	4.3%	5.1%	20.2%	21.0%
927	Poole High School	15.9%	4.3%	5.1%	20.2%	21.0%
Other major employers						
901	Christchurch Borough Council	15.2%	£263,000	£260,000	15.2% plus £263,000	15.2% plus £266,000
902	North Dorset District Council	15.3%	£148,000	£154,000	15.3% plus £148,000	15.3% plus £159,000
904	Purbeck District Council	15.3%	£240,000	£258,000	15.3% plus £240,000	15.3% plus £265,000
905	West Dorset District Council	15.3%	£403,000	£419,000	15.3% plus £403,000	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	2017/18	2018/19	2019/20
906	Weymouth and Portland Borough Council	15.3%	£451,000	£469,000	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	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	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	£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%	4.3%	4.3%
420	Osmington Parish Council	17.7%	4.3%	4.3%	4.3%	4.3%	4.3%
423	Bere Regis Parish Council	17.7%	4.3%	4.3%	4.3%	4.3%	4.3%
456	Crossways Parish Council	17.7%	4.3%	4.3%	4.3%	4.3%	4.3%
808	West Moors Parish Council	17.7%	4.3%	4.3%	4.3%	4.3%	4.3%
811	Alderholt Parish	17.7%	4.3%	4.3%	4.3%	4.3%	4.3%
819	Wool Parish	17.7%	4.3%	4.3%	4.3%	4.3%	4.3%
824	Chickerell Town Council	17.7%	4.3%	4.3%	4.3%	4.3%	4.3%
831	West Parley Parish Council	17.7%	4.3%	4.3%	4.3%	4.3%	4.3%
855	Milborne St Andrew Parish Council	17.7%	4.3%	4.3%	4.3%	4.3%	4.3%
910	Blandford Town Council	17.7%	4.3%	4.3%	4.3%	4.3%	4.3%
911	Bridport Town Council	17.7%	4.3%	4.3%	4.3%	4.3%	4.3%
912	Dorchester Town Council	17.7%	4.3%	4.3%	4.3%	4.3%	4.3%
913	Lyme Regis Town Council	17.7%	4.3%	4.3%	4.3%	4.3%	4.3%
914	Portland Town Council	17.7%	4.3%	4.3%	4.3%	4.3%	4.3%
915	Shaftesbury Town Council	17.7%	4.3%	4.3%	4.3%	4.3%	4.3%
916	Sherborne Town Council	17.7%	4.3%	4.3%	4.3%	4.3%	4.3%
917	Swanage Town Council	17.7%	4.3%	4.3%	4.3%	4.3%	4.3%
918	Wareham Town Council	17.7%	4.3%	4.3%	4.3%	4.3%	4.3%

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	Wimbome 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	2017/18	2018/19
418	Southern Academy Trust	15.9%	2.9%	2.9%	18.8%	18.8%
421	Plymouth CAST Poole	15.9%	2.9%	2.9%	18.8%	18.8%
422	Plymouth CAST - Bourmemouth	15.9%	2.9%	2.9%	18.8%	18.8%
426	Blandford Education Trust	15.9%	2.9%	2.9%	18.8%	18.8%
428	Dorset Studio School	15.9%	2.9%	2.9%	18.8%	18.8%
429	Broadstone Middle School	15.9%	2.9%	2.9%	18.8%	18.8%
430	Broadstone First School	15.9%	2.9%	2.9%	18.8%	18.8%
431	Castleman Academy Trust	15.9%	2.9%	2.9%	18.8%	18.8%
432	Ambitions Academy Trust	15.9%	2.9%	2.9%	18.8%	18.8%
433	Marshwood Primary School	15.9%	2.9%	2.9%	18.8%	18.8%
435	Manorside Primary Academy	15.9%	2.9%	2.9%	18.8%	18.8%
436	Kings Park Primary Academy	15.9%	2.9%	2.9%	18.8%	18.8%
441	Allenbourn Middle School	15.9%	2.9%	2.9%	18.8%	18.8%
442	Colehill First School	15.9%	2.9%	2.9%	18.8%	18.8%
443	St John's First School Wimborne	15.9%	2.9%	2.9%	18.8%	18.8%
444	Hayeswood School	15.9%	2.9%	2.9%	18.8%	18.8%
445	Witchampton School	15.9%	2.9%	2.9%	18.8%	18.8%
446	St Michaels Middle School	15.9%	2.9%	2.9%	18.8%	18.8%
447	Merley First School	15.9%	2.9%	2.9%	18.8%	18.8%
448	Haymoor Junior School	15.9%	2.9%	2.9%	18.8%	18.8%
449	Ad Astra Infant School	15.9%	2.9%	2.9%	18.8%	18.8%
450	Canford Heath Junior School	15.9%	2.9%	2.9%	18.8%	18.8%
451	Canford Heath Infant School	15.9%	2.9%	2.9%	18.8%	18.8%
457	Wareham St Mary (Saturn Educational Trust)	15.9%	2.9%	2.9%	18.8%	18.8%
458	St Marks Swanage (Saturn Educational Trust)	15.9%	2.9%	2.9%	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	2017/18	2018/19	2019/20
459	Corfe Castle Primary (Saturn Educational Trust)	15.9%	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%	18.8%	18.8%	18.8%
461	Bethany CE Junior School	15.9%	2.9%	2.9%	18.8%	18.8%	18.8%
462	St Luke's CE Primary School	15.9%	2.9%	2.9%	18.8%	18.8%	18.8%
463	Heathlands Primary School	15.9%	2.9%	2.9%	18.8%	18.8%	18.8%
464	Wimborne MAT	15.9%	2.9%	2.9%	18.8%	18.8%	18.8%
465	The Saturn Educational Trust	15.9%	2.9%	2.9%	18.8%	18.8%	18.8%
466	Ocean Learning Trust	15.9%	2.9%	2.9%	18.8%	18.8%	18.8%
467	Greenwood Tree Academy Trust	15.9%	2.9%	2.9%	18.8%	18.8%	18.8%
468	Bournemouth Primary MAT	15.9%	2.9%	2.9%	18.8%	18.8%	18.8%
475	Heath Multi-academy Trust	15.9%	2.9%	2.9%	18.8%	18.8%	18.8%
476	Ocean Academy Poole	15.9%	2.9%	2.9%	18.8%	18.8%	18.8%
477	Moordown St Johns CofE Primary - Septenary Trust	15.9%	2.9%	2.9%	18.8%	18.8%	18.8%
478	Kinson Primary School - Septenary Trust	15.9%	2.9%	2.9%	18.8%	18.8%	18.8%
479	Kingsleigh Primary School - Septenary Trust	15.9%	2.9%	2.9%	18.8%	18.8%	18.8%
481	Muscliff Primary School - Septenary Trust	15.9%	2.9%	2.9%	18.8%	18.8%	18.8%
482	St Michael's Primary (Septenary Trust)	15.9%	2.9%	2.9%	18.8%	18.8%	18.8%
483	St Marks CofE Primary - Septenary Trust	15.9%	2.9%	2.9%	18.8%	18.8%	18.8%
488	Winton Primary Academy (Septenary Trust)	15.9%	2.9%	2.9%	18.8%	18.8%	18.8%
838	Queens Park Infant Academy	15.9%	2.9%	2.9%	18.8%	18.8%	18.8%
842	St Aldhelms	15.9%	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 Hardy 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	2017/18	2018/19	2019/20
893	Pokesdown	15.9%	2.9%	2.9%	18.8%	18.8%	18.8%
894	The Quay Academy	15.9%	2.9%	2.9%	18.8%	18.8%	18.8%
895	Carter Community Academy	15.9%	2.9%	2.9%	18.8%	18.8%	18.8%
896	Education Swanage Ltd	15.9%	2.9%	2.9%	18.8%	18.8%	18.8%
897	Minerva Learning Trust	15.9%	2.9%	2.9%	18.8%	18.8%	18.8%
SLM Poole							
815	SLM Food & Beverage (Poole)	16.0%	£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	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%	16.2%	16.2%	16.2%
413	Stour Valley and Poole Partnership	15.8%	£38,000	£39,000	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	17.7% plus £15,000	17.7% plus £16,000	17.7% plus £16,000
424	Colliton Club	15.9%	£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	19.8% plus £3,000	19.8% plus £3,000	19.8% plus £3,000
438	Millbrook Healthcare	16.8%	£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	21.9% plus £140	21.9% plus £150	21.9% plus £150
800	Bournemouth Transport	23.2%	£275,000	£286,000	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	2017/18	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 Mauward 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	2017/18	2018/19	2019/20	
301	Hilary Trust	15.9%	2.9%	2.9%	18.8%	18.8%	18.8%	18.8%	18.8%	18.8%	01/09/2016
320	Diocese of Salisbury Academy	15.9%	2.9%	2.9%	18.8%	18.8%	18.8%	18.8%	18.8%	18.8%	01/09/2016
323	Loders Primary Trust	15.9%	2.9%	2.9%	18.8%	18.8%	18.8%	18.8%	18.8%	18.8%	01/04/2016
324	Arne Parish Council	17.7%	4.3%	4.3%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	01/01/2017
489	Baden Powell & St Peter School	15.9%	2.9%	2.9%	18.8%	18.8%	18.8%	18.8%	18.8%	18.8%	01/07/2016
490	Longfleet CE VC Primary School	15.9%	2.9%	2.9%	18.8%	18.8%	18.8%	18.8%	18.8%	18.8%	01/07/2016
491	Oakdale Junior School	15.9%	2.9%	2.9%	18.8%	18.8%	18.8%	18.8%	18.8%	18.8%	01/07/2016
492	Court Hill Infants School	15.9%	2.9%	2.9%	18.8%	18.8%	18.8%	18.8%	18.8%	18.8%	01/07/2016
493	Lilliput CE CV Infants School	15.9%	2.9%	2.9%	18.8%	18.8%	18.8%	18.8%	18.8%	18.8%	01/07/2016
494	Old Town Infant School & Nursery	15.9%	2.9%	2.9%	18.8%	18.8%	18.8%	18.8%	18.8%	18.8%	01/07/2016
495	Sturminster Marshall Parish Council	17.7%	4.3%	4.3%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	01/06/2016
496	Teach Trust	15.9%	2.9%	2.9%	18.8%	18.8%	18.8%	18.8%	18.8%	18.8%	01/08/2016
497	Harbourside Learning	15.9%	2.9%	2.9%	18.8%	18.8%	18.8%	18.8%	18.8%	18.8%	01/09/2016
498	East Stoke Parish Council	17.7%	4.3%	4.3%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	TBC
499	Lytchett Matravers Parish Council	17.7%	4.3%	4.3%	22.0%	22.0%	22.0%	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

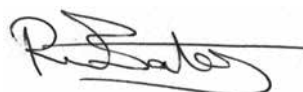
As an administering authority of the Local Government Pension Scheme, Dorset County Council has always recognised the importance of ensuring that all officers and members of the Pension Fund Committee charged with the financial management and decision making with regard to the pension scheme are fully 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	
<p>Administering authorities should ensure that</p> <ul style="list-style-type: none"> • 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	
<ul style="list-style-type: none"> 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
<ul style="list-style-type: none"> Scope of investment objective 	<ul style="list-style-type: none"> ✓ An investment objective has been set with regard to liabilities, funding level and maturity profile
<ul style="list-style-type: none"> Advice on returns against benchmark 	<ul style="list-style-type: none"> ✓ Appropriate independent advice is taken
<ul style="list-style-type: none"> Consideration of risk 	<ul style="list-style-type: none"> ✓ Appetite for risk is taken into account
<ul style="list-style-type: none"> Consideration of all asset classes 	<ul style="list-style-type: none"> ✓ All asset classes are considered
<ul style="list-style-type: none"> Use of peer group benchmarks 	<ul style="list-style-type: none"> ✓ The fund uses a bespoke benchmark
<ul style="list-style-type: none"> Achieving value for money/ efficiency 	<ul style="list-style-type: none"> ✓ The County Council has a general policy on value for money and efficiency
<ul style="list-style-type: none"> Impact on council tax levels 	<ul style="list-style-type: none"> ✓ Strategic impact of funding levels on contribution rates is reviewed with the Fund Actuary
<ul style="list-style-type: none"> Consideration of sub-funds 	<ul style="list-style-type: none"> ✓ Sub-funds are not considered appropriate
<ul style="list-style-type: none"> Use of asset/liability studies 	<ul style="list-style-type: none"> ✓ An asset/liability study has been undertaken and is reviewed
<ul style="list-style-type: none"> Asset allocation and diversification 	<ul style="list-style-type: none"> ✓ The Committee's approach to asset allocation, diversification and suitability of investments is described in the SIP
<ul style="list-style-type: none"> Appointment of advisers 	<ul style="list-style-type: none"> ✓ Independent advisers have been appointed on an appropriate basis
<ul style="list-style-type: none"> Understanding transaction related costs 	<ul style="list-style-type: none"> ✗ Transaction related costs are reported in the Pension Fund Annual Report

Principle 3: Risk and liabilities	
Mainly Compliant	
<ul style="list-style-type: none"> 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
<ul style="list-style-type: none"> Setting the investment objective with regard to liabilities and risk 	<ul style="list-style-type: none"> ✓ Undertaken as part of the asset/liability study by the scheme actuary
<ul style="list-style-type: none"> Policy on underperformance 	<ul style="list-style-type: none"> ✗ Underperformance is closely monitored but there is no specific policy nor are tolerance parameters set, this will be considered as part of the strategic review
<ul style="list-style-type: none"> Use of absolute return benchmarks 	<ul style="list-style-type: none"> ✓ These are in use for hedge fund investments
<ul style="list-style-type: none"> Risk assessment framework 	<ul style="list-style-type: none"> ✓ Included in the SIP
<ul style="list-style-type: none"> Scheme specific benchmark 	<ul style="list-style-type: none"> ✓ A scheme specific benchmark is in use and takes account of risk
<ul style="list-style-type: none"> Valuation risk assessments 	<ul style="list-style-type: none"> ✓ Stated in the FSS and undertaken on a regular basis by the scheme actuary
<ul style="list-style-type: none"> Standards of internal control 	<ul style="list-style-type: none"> ✗ Audit reports are used to satisfy committee on internal controls
<ul style="list-style-type: none"> Suitability of investment strategy 	<ul style="list-style-type: none"> ✓ Covered by the review of investment strategy undertaken with the scheme actuary
<ul style="list-style-type: none"> Cash flows and volatility 	<ul style="list-style-type: none"> ✓ Covered by the actuary's review
<ul style="list-style-type: none"> Reporting risk assessments 	<ul style="list-style-type: none"> ✗ 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	
<ul style="list-style-type: none"> • 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
<ul style="list-style-type: none"> • Suitability of index benchmarks 	<ul style="list-style-type: none"> ✓ Appropriate benchmarks for each manager have been set using suitable indices
<ul style="list-style-type: none"> • Benchmark parameters or constraints 	<ul style="list-style-type: none"> ✓ The bespoke benchmark contains appropriate flexibility
<ul style="list-style-type: none"> • Use of active or passive management 	<ul style="list-style-type: none"> ✓ In-house management is on a passive basis
<ul style="list-style-type: none"> • Belief in higher active returns 	<ul style="list-style-type: none"> ✓ The Committee believes that appropriate active management has the potential to achieve higher returns
<ul style="list-style-type: none"> • Structure of manager mandates 	<ul style="list-style-type: none"> ✓ Individual mandates are set with appropriate controls
<ul style="list-style-type: none"> • Use of peer group benchmarks 	<ul style="list-style-type: none"> ✓ Used only for historic comparison prior to implementing bespoke benchmark
<ul style="list-style-type: none"> • Performance monitoring over time and risk limits 	<ul style="list-style-type: none"> ✓ Performance is monitored over three year rolling periods and with due regard to risk
<ul style="list-style-type: none"> • Monitoring investment activity 	<ul style="list-style-type: none"> ✓ Investment activity is considered at each Committee meeting
<ul style="list-style-type: none"> • Measuring investment returns by asset class and over time 	<ul style="list-style-type: none"> ✓ 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
<ul style="list-style-type: none"> • Use of independent measurers 	<ul style="list-style-type: none"> ✓ HSBC is used to measure performance
<ul style="list-style-type: none"> • Performance attribution analysis 	<ul style="list-style-type: none"> ✓ HSBC provide attribution analysis
<ul style="list-style-type: none"> • Performance assessment of managers, advisers, actuaries and consultants 	<ul style="list-style-type: none"> ✓ Performance is assessed on a regular basis
<ul style="list-style-type: none"> • Committee performance self-assessment and reporting 	<ul style="list-style-type: none"> ✗ Self assessment is under consideration

Principle 5: Responsible ownership	
Partly Compliant	
Administering authorities should:	
<ul style="list-style-type: none"> • 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 <ul style="list-style-type: none"> • 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
<ul style="list-style-type: none"> • Maintaining the Governance Compliance Statement 	<ul style="list-style-type: none"> ✓ The Statement is maintained and reported annually
<ul style="list-style-type: none"> • Content of Communication Statement 	<ul style="list-style-type: none"> ✓ The Statement is fully compliant and reported annually
<ul style="list-style-type: none"> • Interests and involvement of stakeholders 	<ul style="list-style-type: none"> ✓ Reviewed in 2009
<ul style="list-style-type: none"> • Communication with stakeholders, and peer group review 	<ul style="list-style-type: none"> ✓ Communication is an integral part of the Committee's governance arrangements and is reviewed independently with reference to other funds
<ul style="list-style-type: none"> • Content of annual reports 	<ul style="list-style-type: none"> ✓ Independent review annually
<ul style="list-style-type: none"> • Disclosure of delegation arrangements, asset allocation assumptions, manager mandates, fee structures 	<ul style="list-style-type: none"> ✓ Disclosed in the published statements as required by regulation
<ul style="list-style-type: none"> • Availability of the SIP to members 	<ul style="list-style-type: none"> ✓ SIP published in annual report, available on request
<ul style="list-style-type: none"> • Compliance with governance guidance requirements 	<ul style="list-style-type: none"> ✓ 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

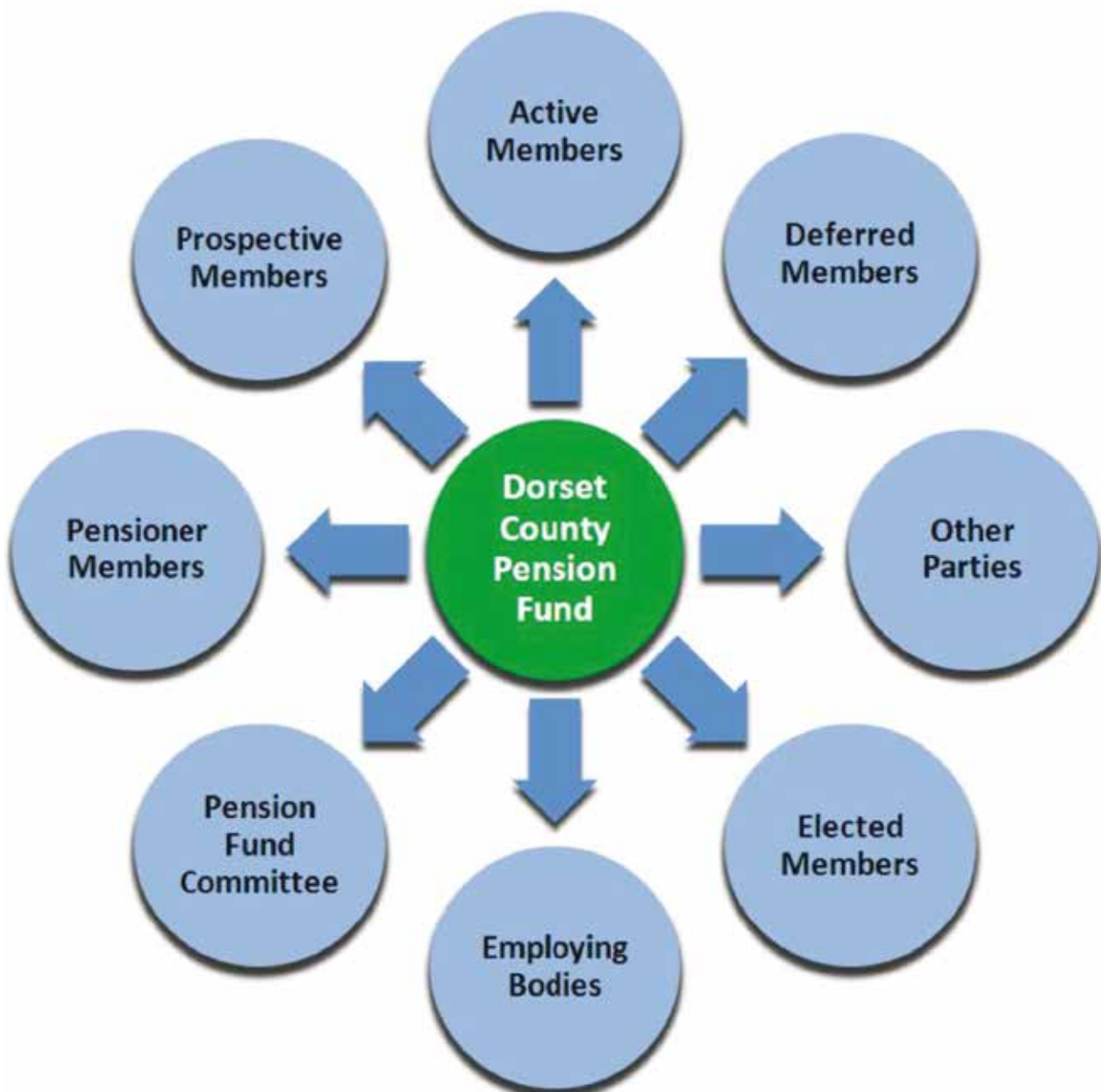
To communicate Pensions Legislation and policies in a clear informative style to ensure that key stakeholders are well informed about current and future changes to the Local Government Pension Scheme.

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

3. Purpose of the Fund

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

4. Funding Objectives

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

5. Key Parties

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

The Administering Authority

- 5.2. The Administering Authority for the Pension Fund is Dorset County Council. The main responsibilities of the Administering Authority are to:
 - Collect employee and employer contributions;

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

Scheme Employers

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

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

- Collect employee contributions and pay these together with their own employer contributions as certified by the Fund Actuary to the Administering Authority within the statutory timescales;
- Notify the Administering Authority of any new Scheme members and any other membership changes promptly;
- Exercise any discretions permitted under the Regulations; and
- Meet the costs of any augmentations or other additional costs in accordance with agreed policies and procedures.

Fund Actuary

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

Actuary are to:

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

6. Funding Strategy

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

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

7. Funding Method

7.1. The key objective in determining employers' contribution rates is to establish a funding target and then set levels of employer contribution to meet that target over an agreed period.

7.2. The funding target is to have sufficient assets in the Fund to meet the accrued liabilities for each employer in the Fund. The funding target may, however, depend on certain employer circumstances and in particular, whether an employer is an "open" employer – one which

allows new recruits access to the Fund, or a “closed” employer which no longer permits new staff access to the Fund. The expected period of participation by an employer in the Fund may also affect the chosen funding target.

- 7.3. For open employers, the actuarial funding method that is adopted is known as the Projected Unit Funding Method which considers separately the benefits in respect of service completed before the valuation date (“past service”) and benefits in respect of service expected to be completed after the valuation date (“future service”). This approach focuses on:
- The past service funding level of the Fund. This is the ratio of accumulated assets to liabilities in respect of past service. It makes allowance for future increases to members’ pay for pensions in payment. A funding level in excess of 100 per cent indicates a surplus of assets over liabilities; whilst a funding level of less than 100 per cent indicates a deficit; and;
 - The future service funding rate. This is the level of contributions required from the individual employers which, in combination with employee contributions is expected to support the cost of benefits accruing in future.
- 7.4. The key feature of this method is that, in assessing the future service cost, the contribution rate represents the cost of one year’s benefit accrual.
- 7.5. For closed employers, the funding method adopted is known as the Attained Age Method. The key

difference between this method and the Projected Unit Method is that the Attained Age Method assesses the average cost of the benefits that will accrue over the remaining expected working lifetime of active members.

8. Valuation Assumptions and Funding Model

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

Future Price Inflation

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

Future Pay Inflation

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

Future Pension Increases

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

Future Investment Returns/Discount Rate

8.6. To determine the value of accrued liabilities and derive future contribution requirements it is necessary to discount future payments to and from the Fund to present day values.

8.7. The discount rate that is adopted will depend on the funding target adopted for each employer.

8.8. For open employers, the discount rate that is applied to all projected liabilities reflects a prudent estimate of the rate of investment return that is expected to be earned from the underlying investment strategy by considering average market yields in the six months straddling the valuation date. The discount rate so determined may be referred to as the "ongoing" discount rate.

8.9. For closed employers, an adjustment may be made to the

discount rate in relation to the remaining liabilities, once all active members are assumed to have retired if at that time (the projected "termination date"), the employer becomes an exiting employer under Regulation 64.

8.10. The Fund Actuary will incorporate such an adjustment after consultation with the Administering Authority.

8.11. The adjustment to the discount rate for closed employers is to set a higher funding target at the projected termination date, so that there are sufficient assets to fund the remaining liabilities on a "minimum risk" rather than on an ongoing basis. The aim is to minimise the risk of deficits arising after the termination date.

Asset Valuation

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

Statistical Assumptions

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

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

9. Deficit Recovery/Surplus Amortisation Periods

- 9.1. Whilst one of the funding objectives is to build up sufficient assets to meet the cost of benefits as they accrue, it is recognised that at any particular point in time, the value of the accumulated assets will be different to the value of accrued liabilities, depending on how the actual experience of the Fund differs to the actuarial assumptions. Accordingly the Fund will normally either be in surplus or in deficit.
- 9.2. Where the actuarial valuation discloses a significant surplus or deficit then the levels of required employers' contributions will include an adjustment to either amortise the surplus or fund the deficit over a period of years.
- 9.3. The period that is adopted for any particular employer will depend on:
- The significance of the surplus or deficit relative to that employer's liabilities;
 - The covenant of the individual employer and any limited period of participation in the Fund; and
 - The implications in terms of stability of future levels of employers' contributions.

10. Pooling of Individual Employers

- 10.1. The policy of the Fund is that each individual employer should be responsible for the costs of providing pensions for its own employees who participate in the Fund. Accordingly, contribution

rates are set for individual employers to reflect their own particular circumstances.

- 10.2. However, certain groups of individual employers are pooled for the purposes of determining contribution rates to recognise common characteristics or where the number of Scheme members is small.
- 10.3. The main purpose of pooling is to produce more stable employer contribution levels in the longer term whilst, recognising that ultimately there will be some level of cross-subsidy of pension cost amongst pooled employers.

11. Cessation Valuations

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

12. Links with the SIP

- 12.1. The main link between the Funding Strategy Statement (FSS) and the SIP relates to the discount rate that underlies the funding strategy as set out in the FSS, and the expected rate of investment return which is expected to be achieved by the underlying investment strategy as set out in the SIP.
- 12.2. As explained above, the ongoing discount rate that is adopted in the actuarial valuation is derived by considering the expected return from the underlying investment strategy. This ensures consistency between the funding strategy and investment strategy.

13. Risks and Counter Measures

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

14. Financial Risks

- 14.1. The main financial risk is that the actual investment strategy fails to produce the expected rate of investment return (in real terms) that underlies the funding strategy. This could be due to a number of

factors, including market returns being less than expected and/or the fund managers who are employed to implement the chosen investment strategy failing to achieve their performance targets.

- 14.2. The valuation results are most sensitive to the real discount rate. Broadly speaking an increase/decrease of 0.5 per cent per annum in the real discount rate will decrease/increase the valuation of the liabilities by 10 per cent, and decrease/increase the required employer contribution by around 2.5 per cent of payroll.
- 14.3. However, the Pension Fund Committee regularly monitors the investment returns achieved by the fund managers and receives advice from the independent advisers and officers on investment strategy.
- 14.4. The Committee may also seek advice from the Fund Actuary on valuation related matters.
- 14.5. In addition, the Fund Actuary provides funding updates between valuations to check whether the funding strategy continues to meet the funding objectives.

15. 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 publicly disclosed.

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

Principle 3: The fund should monitor its investee companies.

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

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

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

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

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

The Fund seeks to work collaboratively with other institutional shareholders in order to maximise the influence that it can have on individual companies. The Fund seeks to achieve this through membership of the LAPFF, which engages with other companies over environmental, social and governance issues on behalf of its members. The Dorset Fund's principal means of collaborative 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 were 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 matters such as changes in management, performance, health & safety, and remuneration.

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

- **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.
- **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.

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

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

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

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

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

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

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

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

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

Key Performance Indicators

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

Top Ten Case Types April 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

111	Audit Opinion
112	Fund Account
113	Net Assets Statement
114	Notes to the Accounts
130	IAS26 Disclosures
137	Portfolio Valuation
138	Glossary of terms

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.

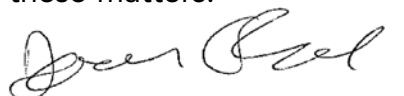
We have not considered the effects of any events between the date we signed our report on the full annual published statement of accounts and the date of this report.

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			Note	31 March 2017	
£'000	£'000			£'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		2016/17
£'000		£'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 from 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.

A handwritten signature in black ink, appearing to read 'Graeme D Muir'.

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.

Produced by Design and Print (ref: 0566 September 2017)