



**Dorset County  
Pension Fund**

administered by **Dorset Council**



Annual Report **2018-2019**

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# Introduction and Overview



# Chairman's Statement



## Introduction

As Chairman of the Pension Fund Committee for a fifth year in 2018-19, I am pleased to present the Dorset County Pension Fund's Annual Report for the year ended 31 March 2019. The aim of the report is to highlight the important issues affecting the Fund over the last twelve months, as well as providing general information regarding the pension scheme and its performance.

This is a period of unprecedented change for the Local Government Pension Scheme (LGPS) nationally. For Dorset it has again been a year dominated by the Government's requirement for funds to pool investments, in order to improve efficiency and to reduce costs, whilst maintaining overall investment returns. The Dorset Fund is one of ten pension funds which formed the Brunel Pension Partnership, which itself is one of eight such pools across England and Wales.

## Brunel Pension Partnership

Significant progress has been made for the transition of the Fund's assets to the management of the Brunel Pension Partnership. Over the course of the year, the internally managed passive portfolio for UK equities, the global equities under the management of Allianz, and the UK active equities managed by AXA Framlington were all successfully transferred to portfolios developed and managed by Brunel. This equates to approximately £800 million transferred to the pool's management, representing

nearly 30% of the Fund's total assets of £3.0 billion, in the first year of Brunel being fully operational.

## Investment Performance

The value of the Fund's assets achieved a significant milestone by closing the year at just over £3.0 billion for the first time, up from £2.85 billion at the start of the year.

The Fund's annual return on investments of 6.0% was above the discount rate of 5.4% set by the Fund's actuary, but below the combined benchmark return of 7.4%. There were a number of contributing factors for this underperformance, including the costs of transferring investments to Brunel, and the low returns on cash balances that have been purposely built up by the Fund in response to market uncertainty.

Over the longer term, the Fund returned an annualised 10.6% over the three years to March 2019, compared to the benchmark of 10.8%, and an annualised 8.7% against the benchmark of 8.8% over five years.

## **Strategic Asset Allocation**

In order to bring holdings in listed equities back closer to the target allocation of 45% there were a number of disinvestments throughout the year, with further disinvestments in 2019/20. It continues to be a challenge to reach target in the more illiquid private market asset classes, namely property, infrastructure and private equity. However, we are now starting to see more opportunities becoming available through Brunel, as well as our existing specialist managers.

## **Annual Employers Meeting**

The Annual Employers' Conference was held at Springfield House, Wareham in January 2019. The event was well attended and featured speakers from the Fund's Actuary, the Pensions Regulator and Officers representing the Fund.

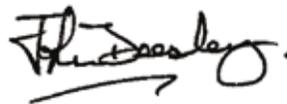
## **Committee and Staffing Changes**

The meeting of the Committee in February 2019 was the last for Councillor John Lofts after many years of distinguished service, including ten years as Chairman. As I did at the meeting, I would like to thank John again on behalf of myself and the Committee, for his long and valued service to the Fund.

In March 2019, the Fund Administrator Richard Bates, stepped down from his role after nearly five years in the position. I would like to thank Richard for all his hard work and devotion to the Fund and wish him all the very best for the future.

## **Thank You**

The continued success of the Fund depends on the combined efforts of all those involved with the Fund. I would like to thank the Vice-Chairman, Cllr Peter Wharf, my fellow Committee members, local pension board members, and external advisers for their commitment and support over the past year. My sincere thanks also extend to all the staff who support the Fund in the administration of pensions and investment management for all their hard work throughout the year.



Cllr John Beesley  
Chairman

# Introduction

Dorset Council (DC, the Council) is the statutory administering authority for the Dorset County Pension Fund (DCPF, the Fund), which is part of the Local Government Pension Scheme (LGPS). All aspects of the Fund's management and administration, including investment matters, are overseen by the Pension Fund Committee (PFC), which is a committee of the Council. It is a contributory defined benefit pension scheme established under statute, which provides for the payment of benefits to employees of DC and former employees of Dorset County Council and the admitted and scheduled bodies in the Fund. Separate arrangements are made for teachers, fire-fighters and police officers.

The purpose of the Fund is to provide retirement benefits specified by the LGPS regulations for staff working for local authority employers, and other employers admitted by agreement, in the Dorset area. The regulations also specify the member contribution rates as a percentage of pensionable pay, with employer contribution rates being

set every three years by the Fund's Actuary, Barnett Waddingham LLP. These contributions are supplemented by earnings on the Fund's investments in order to pay retirement benefits.

The day to day running of the Fund is delegated to the Fund Administrator who is the Executive Director (Corporate Development S151) of the Council and is responsible for implementing the decisions made by the PFC. Supporting him is a team of staff split into two sections. The Pension Administration Team administers all aspects of member records, pension benefits etc. and the Treasury and Investments team looks after the accounting and management information requirements of the Fund. All aspects of the day to day management of investment funds are undertaken by external fund managers.

Publication of this report gives the Council the opportunity to demonstrate the high standard of governance and financial management applied to the Fund. It brings together a number of separate reporting strands into one

comprehensive document that enables both the public and employees to see how the Fund is managed and how well it is performing.

It is in the interest of both employees and the public that the Fund is well managed and continues to provide high returns and excellent value for money.

# Key Financial Information

- The total value of the Fund rose by £161.7 million (5.6%) over the year and has reached £3.02 billion as at 31 March 2019, compared to the previous year end valuation of £2.85 billion. Over the last five years the market value of the Fund has increased by £0.70 million (30.0%).
- The Fund achieved a return on investments for the 2018-19 financial year of 6.0%, 1.4% below the benchmark return of 7.4% but above the discount rate (or target rate of return) used by the actuary at the last valuation of 5.4%.
- The Fund underperformed its benchmarks over three years with a performance of 10.6% against its benchmark of 10.8%. Over five years the performance was 8.7% against a benchmark of 8.8%.
- The number of active contributors in the Fund fell from an adjusted 25,871 in 2017-18 to 25,068 in 2018-19, a decrease of 3.1%, whilst the number of pensioners rose in 2018-19 by 4.3% to 22,135.
- At the most recent actuarial valuation, as at 31 March 2016, the funding level

was 83%, an increase from 82% as at 31 March 2013, with the deficit recovery period reduced from 25 years to 22 years.

- Income from contributions has been gradually increasing over the past five years from £105,331,000 in 2014-15 to £122,212,000 as at 31 March 2019, a rise of 16.0%. The pension benefit payments have been steadily rising over the same period from 100,022 in 2014-15 to 120,112 as at 31 March 2019, a rise of 20.1%.

## Changes to the Fund in 2018-19

- The internally managed passive UK equity portfolio, and the Allianz managed Global Equity portfolios were transitioned to Brunel portfolios managed by Legal and General Investment Management (LGIM) in July 2018.
- On 21 November 2018, assets under the management of external UK manager AXA Framlington were transferred to the Brunel UK Equities Active portfolio.
- A commitment of 2.0% was made to the Brunel Private Equity Portfolio with £1.2M being invested in January 2019, with a

further 2.0% commitment to the Brunel Secured Income Portfolio of which £2.9M was also invested in January 2019. Drawdowns against commitments will be funded from cash balances and/or further disinvestment from equities and corporate bonds.

- CBRE, the Fund Property manager made the following investment commitments in 2018-19:
  - Purchased Astra House in Harlow for £8.9 million in September 2018 (see photograph below) which was previously an office block and has been converted into studios, one- and two- bedroom flats;



Astra House, Harlow

- Purchased a portfolio of sixty social rented homes at one scheme in Buckshaw Village, Lancashire for £2.6 million;
- Purchased a portfolio for £3.3 million for a new affordable housing fund with Step Forward in October 2018.

## The Annual Report

The Local Government Pension Scheme Regulations 2013 require administering authorities to prepare a document known as “The Pension Fund Annual Report”. The authority must publish the Pension Fund Annual Report on or before 1st December following the year end. From 1 April 2014, this report must contain information about the fund on the following:

- *Overall Fund Management* – The report must list the names and, where appropriate, contact details for the Fund Management.
- *Financial Performance* – The report must provide an overview of the fund’s financial performance, focused primarily on income, expenditure and cash flows.
- *Investment Policy and Performance* – This should demonstrate how the investment strategy statement has been put into practice during the year

and how this links to the Funding Strategy Statement.

- *Scheme Administration* – A report of the arrangements made during the year for the administration of the fund.
- *Actuarial Report* – Disclosure of the current level of funding as reported by the actuary at the last triennial revaluation.
- *Governance* – Regulation 55 of the LGPS Regulations 2013 prescribes the content of the Governance Compliance Statement.
- *Fund Account, Net Assets Statements and Notes* – The report must include a fund account and a net assets statement with supporting notes and disclosures in accordance with proper accounting practices.
- *Asset Pools* – How asset pooling arrangements are progressing.
- *Pensions Administration Strategy report.*
- *Funding Strategy Statement.*
- *Investment Strategy Statement.*
- *Communications Policy Statement.*
- *External Audit Opinion.*
- *Other Material* - any other material which the authority considers appropriate.

## Responsible Investing

The Council has a paramount fiduciary duty to obtain the best possible financial return on Fund investments without exposing assets to unnecessary risk. The Council believes that following good practice in terms of social, environmental and ethical issues is generally likely to have a favourable effect on the long-term financial performance of a company and will improve investment returns to its shareholders.

The Fund investment managers, acting in the best financial interests of the Fund, are expected to consider, amongst other factors, the effects of social, environmental and ethical issues on the performance of a company when undertaking the acquisition, retention or realisation of investments for the Fund.

# Overall Fund Management



# Overall Fund Management

## The Fund's Managers

**Administering Authority**  
**Dorset Council, County Hall**  
**Dorchester, Dorset DT1 1XJ**

The Fund is invested in Equities (UK and Overseas), Corporate Bonds, Private Equity, Property, Diversified Growth Funds, Multi Asset Credit, Infrastructure, Liability Driven Investments and Cash and Cash Equivalents. The Fund does not currently manage any fund's internally but used seventeen external fund managers in 2018-19, the details of which are provided:

### Key

- 1 On 11 July 2018, the Internally Managed Fund was transferred to the Brunel UK Passive Equities portfolio managed by Legal & General Investment Management.
- 2 On 18 July 2018, the holdings under the management of Allianz transferred to the Brunel Smart Beta portfolio managed by Legal & General Investment Management.
- 3 On 21 November 2018, assets under the management of AXA Framlington were transferred to the Brunel UK Equities Active portfolio.

Fund Managers	Asset Class	Address
<sup>1</sup> Internally Managed	UK Equities	County Hall, Dorchester, Dorset DT1 1XJ
<sup>3</sup> AXA Framlington Investment Managers UK Limited	UK Equities	7 Newgate Street, London EC1A 7NX
Schroders	UK Equities	1 London Wall Place, London EC2Y 5AU
Brunel - Legal & General Investment Management	UK Equities	One Colman Street, London EC2R 5AA
Royal London Asset Management	Bonds	55 Gracechurch Street, London EC3V 0RL
J.P.Morgan Asset Management	Overseas Equities	60 Victoria Embankment, London EC4Y 0JP
<sup>2</sup> Allianz Global Investors	Overseas Equities	199 Bishopsgate, London EC2M 3TY
Investec Asset Management	Overseas Equities	25 Basinghall Street, London EC2V 5HA
Wellington Management International Ltd	Overseas Equities	80 Victoria Street, London SW1E 5JL
HarbourVest Partners, LLC	Private Equity	One Financial Center, Boston, MA 02111
Aberdeen Standard Investments	Private Equity	6 St Andrew Square, Edinburgh EH2 2AH
CBRE Global Investors	Property	Third Floor, One New Change, London EC4M 9AF
Baring Asset Management Limited	Diversified Growth Fund	20 Old Bailey, London EC4M 7BF
CQS	Multi Asset Credit	4th Floor, One Strand, London WC2N 5HR
Hermes GPE LLP	Infrastructure	150 Cheapside, London EC2V 6ET
IFM Investors	Infrastructure	3rd Floor, 60 Gresham Street, London EC2V 7BB
Insight Investment Management Limited	Liability Driven Investment	160 Queen Victoria Street, London EC4V 4LA
Brunel - Colmore	Private Markets	9 Colmore Row, Birmingham B3 2BJ

## Other Organisations/Individuals

Service	Address
<b>Actuary</b>	
Barnett Waddingham LLP	163 W George Street, Glasgow G2 2JJ
<b>Auditors</b>	
Deloitte LLP	5 Callaghan Square, Cardiff CF10 5BT
<b>AVC Providers</b>	
Prudential Plc	PO Box 2711, Reading RG1 3UL
<b>Bankers</b>	
NatWest - Main Bankers	49 South Street, Dorchester, Dorset DT1 1DW
State Street - Banker	20 Churchill Place, Canary Wharf, London E14 5HJ
<b>Custodian</b>	
State Street Global Services	Quartermile 3, 10 Nightingale Way, Edinburgh EH3 9EG
<b>Fund Legal Advisers</b>	
Osborne Clarke	2 Temple Back East, Temple Quay Bristol BS1 6EG
<b>Governance Adviser</b>	
Peter Scales MJ Hudson Allenbridge	8 Old Jewry, London EC2R 8DN
<b>Independent Adviser</b>	
Mr Alan Saunders MJ Hudson Allenbridge	8 Old Jewry, London EC2R 8DN
<b>Local Government Pension Fund Pool</b>	
Brunel Pension Partnership Limited	101 Victoria Street, Bristol BS1 6PU

## The Fund Actuary

Employee contributions are fixed by Central Government. However, the Actuary is required to set employer contribution rates to ensure benefits under the Scheme are properly funded. Although the Actuary is required to carry out a full valuation every three years, they are also required to calculate contributions rates for new employers, if membership figures change and if an employer leaves the Scheme. The Council has appointed Barnett Waddingham as its Fund Actuary.

## Independent Adviser

An Independent Adviser (Alan Saunders) has been appointed to support the Pension Fund Committee through reviewing investment activity, giving advice on general investment matters, assisting in the selection of new managers and carrying out independent assessments of compliance against other benchmarks that the Fund's performance is measured against, and offer a practical approach to address and control risk.

## External Auditor

Deloitte have been appointed as external auditors for Dorset Council and the Dorset County Pension Fund with effect from 1 April 2019.

## **Custodian Services**

The Fund employs State Street Bank & Trust as its global custodian, independent to the investment managers, to be responsible for the safekeeping of the Fund's assets. State Street Bank & Trust provides a wide variety of services that underpin the work of the officers of the Pension Fund and its investment managers in managing the Pension Fund's assets. The performance of the global custodian is reported to the Committee and Board on an annual basis.

### **The custody services provided by State Street Bank & Trust to the Fund include:**

- safekeeping of the Pension Fund's assets of the various different investment managers;
- collection of income from dividends and interest;
- tax reclamation services;
- corporate action processing and proxy voting based on the instructions received by the Pension Fund's investment managers;
- filing of US-based class action lawsuits;
- foreign exchange settlement to enable the Pension Fund to buy and sell assets in foreign currencies;

- stock lending;
- reporting on the value of pension Fund's assets and the investment performance of the Fund's investment managers.

## **Internally Managed Cash**

The Pension Fund also holds cash internally as working balances and operates its own treasury management policy, which is implemented by the County's Treasury Management Team.

Working balances comprise funds required to pay pensions, to fund private equity, property investments and other managers and to pay day-to-day expenses. Surplus balances will be invested in accordance with the Treasury Management Strategy.

## **Legal Adviser**

The Pension Fund uses Osborne Clarke for advice covering conveyancing, investment and employer issues.

## Contact and Further Information

For more information about the Dorset County Pension Fund, please contact our Pensions helpline on:

**Call:**  
(01305) 224845

**Email:**  
pensionshelpline@dorsetcouncil.gov.uk

**Address:**  
Dorset County Pension Fund  
County Hall, Dorchester, Dorset DT1 1XJ

**Our website:**  
Contains further information relating to the LGPS. The address is as follows:  
[www.yourpension.org.uk/Dorset/Home.aspx](http://www.yourpension.org.uk/Dorset/Home.aspx)

Alternatively, you can contact a member of the team as follows:

Queries regarding Fund Investments and Accounts

**Mr Aidan Dunn**  
Executive Director of  
Corporate Development  
aidan.dunn@dorsetcouncil.gov.uk

**Mr David Wilkes**  
Treasury and Investments Senior  
Finance Manager  
(01305) 224119

Queries regarding Benefits  
**Mrs Karen Gibson**  
Pension Benefits Manager  
(01305) 228524

# Financial Performance



# Financial Performance

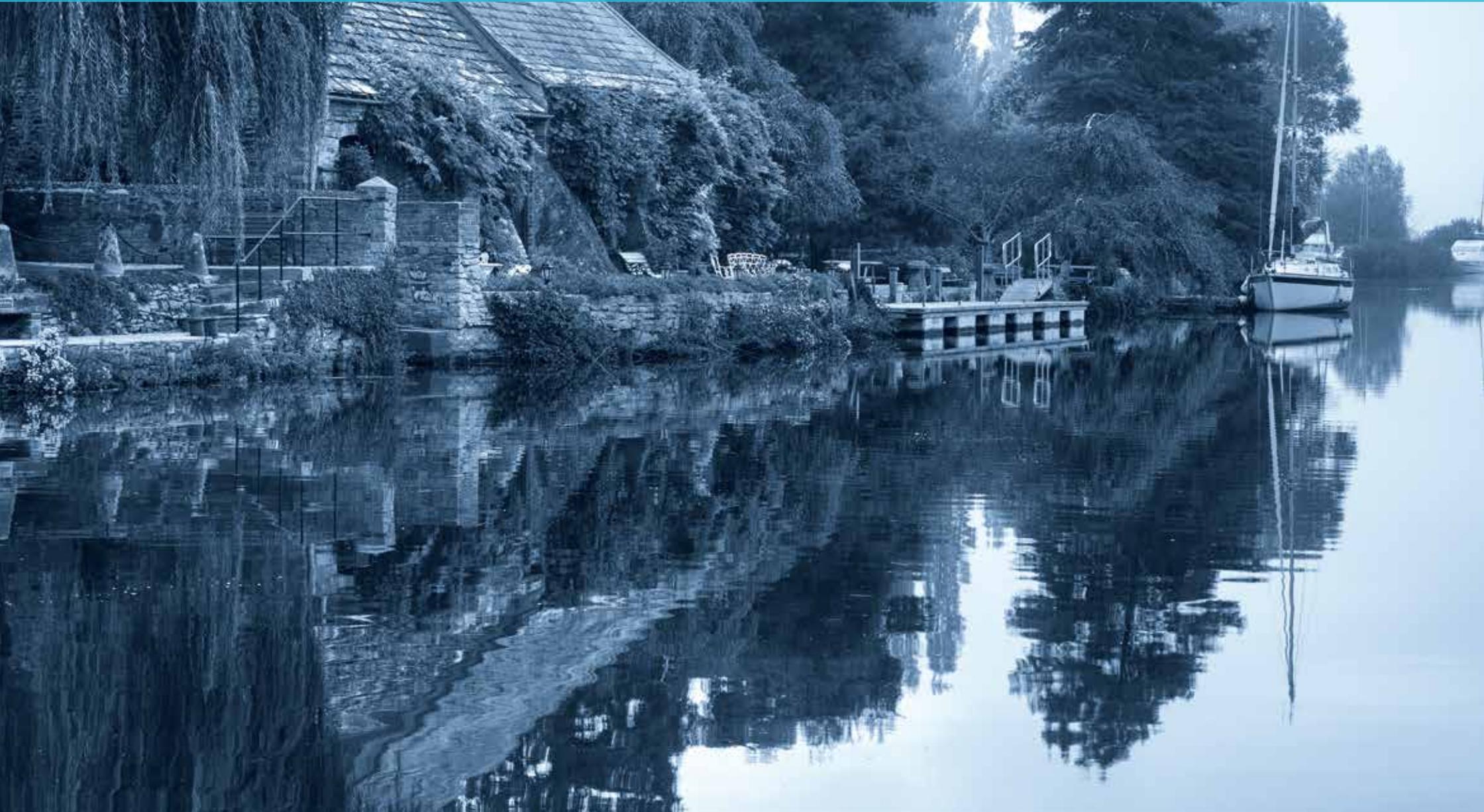
## **Late Contributions**

In 2018-19 there was one employer who regularly paid their contributions late. As at 31 March 2019, the employer was up to date and there were no overdue contributions. A report to the Pensions Regulator regarding the late payment of contributions was submitted on 14 January 2019. The option to levy interest in respect of the late contribution payments was considered. However, the Fund did not exercise this option due to the employer's circumstances.

## **Analysis of Pension Overpayments**

There was a total of £73,039.77 pension overpayments in 2018-19. As at 31 March 2019, £6,499.35 of this had been recovered and £66,540.42 remained outstanding. The Human Resources Payroll team are looking to adapt a policy to write off small amounts in relation to pension overpayments.

# Investment Performance



# Investment Performance

## This year's Fund Information

**£162<sub>M</sub>**    **£3.030<sub>Bn</sub>**



Fund value  
increase



Total  
fund value

**5.6%**



Fund value  
increase

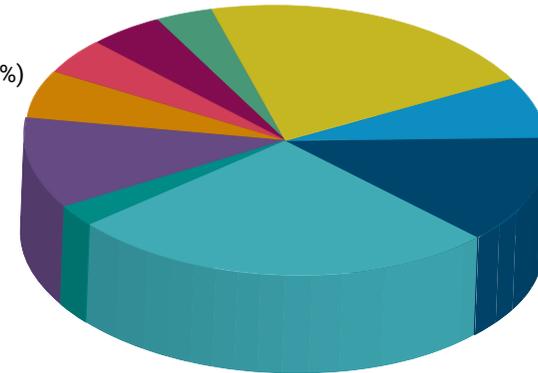
**1.4%**



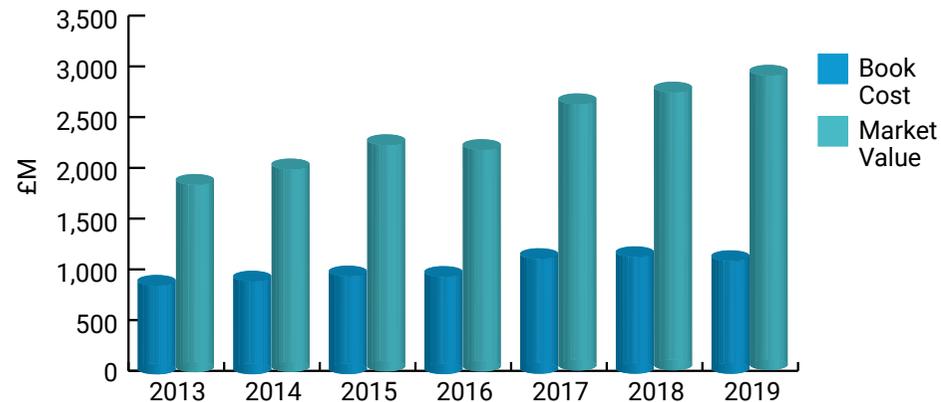
Underperformed  
benchmark

**Total Asset Distribution as at 31 March 2019** - The total asset distribution of the Dorset County Pension Fund as at 31 March 2019 is shown below. These allocations are within the agreed ranges.

- UK Equities £643M (21.3%)
- Bonds £214M (7.1%)
- Liability Driven Investments £401M (13.3%)
- Overseas Equities £801M (26.4%)
- Private Equity £80M (2.7%)
- Property (including Property Funds) £323M (10.7%)
- Diversified Growth Fund £176M (5.8%)
- Multi Asset Credit £140M (4.6%)
- Infrastructure £139M (4.6%)
- Cash and Cash Equivalents (including Derivatives) £106M (3.5%)



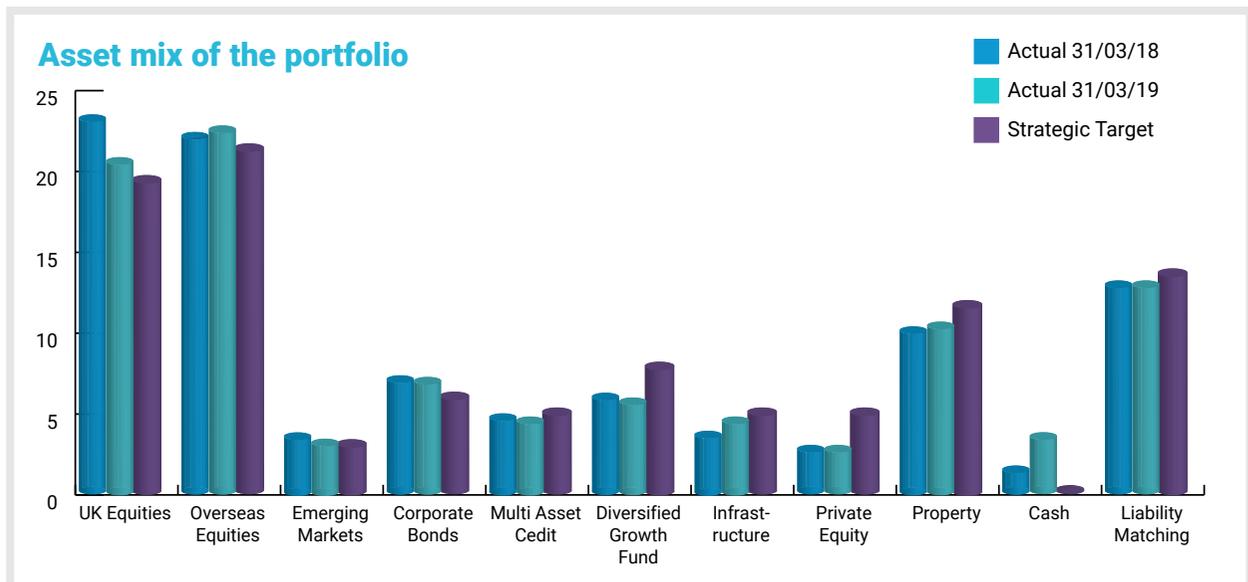
**Fund Growth (year ended 31 March)** - The change in value of the Fund over the last seven years as at 31 March.



## Asset Allocation

The Dorset County Pension Fund Committee is responsible for deciding the asset allocation of the fund. The table opposite summarises the Fund's Asset Allocation.

Asset Class	Manager	31-Mar-18		31-Mar-19		Target Allocation	
		£M	%	£M	%	£M	%
UK Equities	Several	684.4	24.0	643.0	21.3	604.7	20.0
Overseas Equities	Several	654.2	22.9	703.0	23.3	665.2	22.0
Emerging Markets Equities	JP Morgan	103.2	3.6	98.2	3.2	90.7	3.0
<b>Total Listed Equities</b>		<b>1,441.8</b>	<b>50.5</b>	<b>1,444.2</b>	<b>47.8</b>	<b>1,360.6</b>	<b>45.0</b>
Corporate Bonds	Royal London Asset Management	204.5	7.1	214.4	7.1	181.4	6.0
Multi Asset Credit	CQS	136.2	4.8	139.7	4.6	151.2	5.0
Diversified Growth	Barings	173.3	6.1	176.1	5.8	241.9	8.0
Infrastructure	Several	106.6	3.7	138.7	4.5	151.2	5.0
Private Equity	Several	76.5	2.7	80.3	2.7	151.2	5.0
Property	CBRE	295.4	10.4	323.3	10.7	362.8	12.0
Cash	Internal	40.0	1.4	105.1	3.5	-	0.0
F/X Hedging	State Street	-	0.0	0.7	0.0	-	0.0
<b>Total Return Seeking Assets</b>		<b>2,474.3</b>	<b>86.7</b>	<b>2,622.5</b>	<b>86.7</b>	<b>2,600.3</b>	<b>86.0</b>
Liability Matching Assets	Insight	379.7	13.3	401.1	13.3	423.3	14.0
<b>Total Asset Valuation</b>		<b>2,854.0</b>	<b>100.0</b>	<b>3,023.6</b>	<b>100.0</b>	<b>3,023.6</b>	<b>100.0</b>



## Fund Returns Achieved Over One, Three and Five Years by Asset Class

The table opposite sets out the returns for one, three and five years in each of the investment categories and enables comparison against their specific benchmarks.

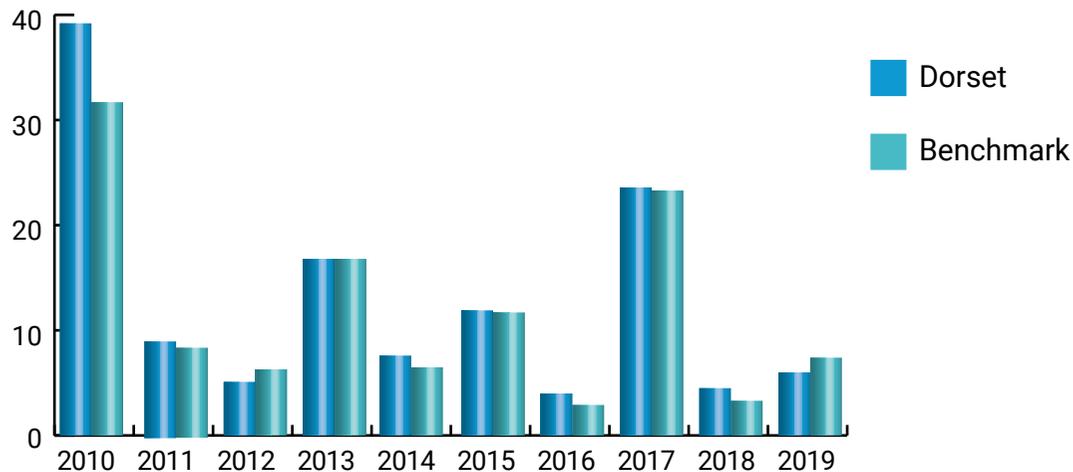
	Dorset 1 year %	Benchmark %	Dorset 3 year %	Benchmark %	Dorset 5 year %	Benchmark %
<b>UK Equities</b>						
Schroders	-5.6	-3.1	10.9	5.9	9.8	4.9
Brunel/ LGIM Passive <sup>1</sup>	9.4	9.4	N/A	N/A	N/A	N/A
Brunel UK Active <sup>2</sup>	9.7	9.4	N/A	N/A	N/A	N/A
<b>Overseas Equities</b>						
Investec	12.2	12.0	13.7	14.4	N/A	N/A
Wellington	11.6	12.0	15.1	14.4	N/A	N/A
Brunel / LGIM Smart Beta <sup>1</sup>	9.2	9.2	N/A	N/A	N/A	N/A
Brunel / LGIM Smart Beta (Hedged) <sup>1</sup>	11.6	11.1	N/A	N/A	N/A	N/A
<b>Emerging Markets</b>						
JP Morgan	-4.9	-0.3	14.6	14.4	9.1	8.9
<b>Bonds</b>						
Royal London Asset Management	4.8	4.5	7.0	5.9	7.5	6.8
<b>Multi Asset Credit</b>						
CQS	2.6	4.8	N/A	N/A	N/A	N/A
<b>Private Equity</b>						
HarbourVest	23.3	6.4	15.4	9.5	18.3	6.1
Aberdeen Standard	19.7	6.4	10.7	9.5	11.0	6.1
Brunel PM Secured Income <sup>3</sup>	1.2	-0.1	N/A	N/A	N/A	N/A
<b>Property</b>						
CBRE Global Investors	5.4	6.0	6.9	6.8	10.3	9.7
<b>Diversified Growth Fund</b>						
Barings Asset Management	1.6	4.9	5.2	4.6	4.1	4.6
<b>Inflation Hedging Bonds</b>						
Insight	8.6	8.4	22.1	16.1	9.9	8.9
<b>Infrastructure</b>						
Hermes Fund	-1.2	10.0	6.8	10.0	N/A	N/A
IFM Fund	18.0	10.0	16.7	10.0	N/A	N/A
<b>Total Assets</b>	<b>6.0</b>	<b>7.4</b>	<b>10.6</b>	<b>10.8</b>	<b>8.7</b>	<b>8.8</b>

<sup>1</sup> New mandate July 2018

<sup>2</sup> New mandate November 2018

<sup>3</sup> New mandate January 2019

**Total Annual Returns** - This diagram shows the total return of the Fund compared with its benchmark for each of the last ten years as at 31 March.



against their benchmark of 10.0%, whilst Private Equity manager HarbourVest outperformed their benchmark by 5.9%. The UK Equity manager Schrodgers outperformed their benchmark by 5.0%.

The main detractor to performance was the Infrastructure manager Hermes who underperformed their index by 3.2%.

#### Rates of Return-Five Year Summary

Over the five-year period, the Fund was in-line its bespoke benchmark with a return of 8.7% compared to a benchmark of 8.8%. Positives to performance were HarbourVest, Schrodgers and Aberdeen Standard who outperformed their benchmarks by 12.2%, 4.9% and 4.9% respectively.

Only one manager underperformed their benchmark over the five-year period. Diversified Growth Manager Barings Asset Management underperformed their benchmark by 0.5%.

#### Performance Monitoring

Investment manager performance is reviewed quarterly by the Pension Fund Committee. The Committee review a comprehensive quarterly and longer period reports that includes the performance of each manager measured

#### Rates of Return One Year Summary

During the year, the Fund underperformed its bespoke benchmark with a return of 6.0% compared to a benchmark of 7.4%. Positives to performance have been attributable to mainly three managers. The two Private Equity managers HarbourVest and Aberdeen Standard outperformed their benchmark by 16.9% and 13.3% respectively, whilst Infrastructure manager IFM returned 18.0% against its benchmark of 10.0%.

The main detractor to performance was the Infrastructure manager Hermes who underperformed their index by 11.2%.

#### Rates of Return Three Year Summary

Over the three-year period, the Fund returned 10.6% against its bespoke benchmark of 10.8%. Positives to performance were Infrastructure manager IFM who returned 16.7%

against their benchmark and target. Information on returns is currently provided by State Street.

### Fund Benchmarks

The Fund utilises external investment managers to undertake the day to day management of the Fund's assets. Each manager has a specific benchmark and performance target against which their performance is regularly monitored.

The table opposite shows the Managers of the Fund and their respective benchmarks.

Manager	Description	Benchmark Indices	Date of Appointment
Aberdeen Standard	Private Equity	FTSE All Share	2006
Barings Asset Management	Diversified Growth Fund	3 Month LIBOR +4%	2012
Brunel - Colmore	Private Equity	MSCI ACWI	2019
Brunel - Colmore	Secured Income	Consumer Price Index	2019
Brunel - Fundrock	UK Active Equity	FTSE All Share	2019
Brunel - LGIM	Passive Smart Beta	Passive Smart Beta	2018
Brunel - LGIM	Passive Smart Beta (Hedged)	Passive Smart Beta (Hedged)	2018
Brunel - LGIM	Passive UK Equities	Passive UK Equities	2018
CBRE	Property	MSCI Quarterly Universe	2000
CQS	Multi Asset Credit	1 month LIBOR +4%	2017
HarbourVest	Private Equity	FTSE All Share	2006
Hermes	Infrastructure	10% Absolute Return	2015
IFM	Infrastructure	10% Absolute Return	2016
Insight	Liability Driven Investment	Sourced from Insight	2012
Investec Asset Management	Global Equity	MSCI World Net	2015
J.P.Morgan Asset Management	Emerging Markets Equity	MSCI Emerging Markets Net	2012
Royal London Asset Management	Corporate Bonds	iBoxx Sterling Non-Gilt > 5 Years	2007
Schroders	UK Equities	FTSE Small Cap ex Investment Trusts	2006
Wellington Investment Management	Global Equity	MSCI World Net	2015

# Scheme Administration



# Scheme Administration

## The Local Government Pension Scheme

The Local Government Pension Scheme (LGPS) has been in existence since 1922 and has developed into a comprehensive scheme providing pensions for all members and their spouses, civil partners or eligible cohabitating partners and eligible children.

The Local Government Pension Scheme is a defined benefit scheme. This means that benefits are determined by the regulations and are not affected by investment performance or market conditions.

From April 2019 the LGPS in Dorset is administered by Dorset Council, and prior to this by Dorset County Council. The Dorset County Pension Fund (DCPF) administration service covers over 230 employers, and over 80,000 members. A breakdown of the scheme membership can be found on page 32.

Employees of all Local Authorities, higher and further education establishments, schools and other public bodies and service providers can join the LGPS.

The Scheme is governed by the Public Services Pension Act 2013. The fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme 2013 (as amended);
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) regulations 2014 (as amended);
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

### How the Scheme Currently Works

The LGPS is required to be funded. Scheme funds, currently surplus to immediate pension benefit requirements, are invested in approved securities. The Fund must be sufficient to sustain future pension entitlements of past and present members. The Fund is financed by members and employers' contributions and earnings from investments.

Until 31 March 2014 the LGPS was classified as a final salary scheme whereby the annual pension and any retirement

grant were paid based on the period of membership and (usually) the final twelve months pay. Benefits built up in the LGPS up to and including 31 March 2014 will continue to be calculated on a final salary basis.

With effect from 1 April 2014 the LGPS changed from a final salary scheme to a career average scheme. All benefits built up in the LGPS after 31 March 2014 will be calculated under the rules of the new career average scheme.

Our vision is to administer the DCPF successfully, in a cost effective way, whilst meeting member expectations, and ensuring our statutory duties are met.

The Administration Service cost was measured as £21.44 per member in 2018. With data quality scores very high, and staff turn over and complaints very low, this represents good value for money.

The Data Quality scores for the Fund, as reported to the Pensions Regulator in 2018 were 99.2% for Common Data, and 97.70% for Scheme Specific (Conditional) Data.

## Performance Information

The table below shows a summary of the main task areas, our local target for completion, (Fund KPIs), the legal timescales, the number of tasks completed in each work area, plus the % completed within our target time.

This represents a section of our work only, it does not cover all work areas. The total number of individual work cases completed for the year was 47,389.

Process	Fund KPIs	Legal Requirement	Number of cases completed in year	% completed within Benchmark
<b>Deaths</b> - Calculate and notify amount of dependent's benefit	5 Days	2 months	655	99.84
<b>Estimates</b> - Letter notifying estimate of retirement benefits	15 Days	2 months	1,613	100.00
<b>Retirements</b> - Process and pay lump sum retirement grant (including all retirement types)	5 Days	2 months	2,460	98.70
<b>Deferment</b> - Calculate and notify deferred benefits	40 Days	2 months	3,025	98.15
<b>Transfers in</b> - Letter detailing transfer in quote	15 Days	2 months	802	99.00
<b>Transfers out</b> - Letter detailing transfer out quote	10 Days	2 months	340	96.47
<b>Refund</b> - Process and pay a refund	15 Days	2 months	2,419	99.42
<b>Joiners</b> - Send notification of joining the LGPS to scheme member	30 Days	2 months	7,107	93.32
<b>Divorce</b> - estimates for divorce purposes processed	30 Days or 21 Days for Court Ordered Requests	3 months	156	84.62
<b>General Correspondence</b>	30 Days		5,359	99.79

## The LGPS at a glance

For further information and additional resources, please see our website <http://www.yourpension.org.uk/Dorset/Home.aspx>

### Eligibility for membership

Membership is generally available to employees of participating employers who have contracts of employment of three months or more, are under the age of 75 and who are not eligible for membership of other statutory pension schemes. Membership of the LGPS is therefore not open to Police Officers, firefighters, civil servants, etc who have their own pension schemes. Employees of admission bodies and designating bodies such as a town or parish council can only join if their employer nominates them for membership of the LGPS.

### Employee contributions

The rate of contribution payable by members of the main scheme varies according to pay, ranging from 5.5% to 12.5%. The pay ranges to which each contribution rate applies are adjusted each April in line with changes in the cost of living. Members of the 50/50 option pay half the main scheme contributions and build up half the normal main scheme pension.

### Extra benefits

Members can pay additional pension contributions (APCs) to increase their pension. They can also pay money purchase additional voluntary contributions (AVCs) into a scheme operated in conjunction with the Prudential, to provide extra pension, extra lump sum, extra death benefits or permutations thereof. Both APCs and AVCs attract tax relief in most cases.

### Retirement benefits

For each year of membership in the main scheme, an employee member builds up a pension of a 49th of the pay received during that year. This pension is then increased each year in line with inflation, to maintain its value in real terms. Someone in the 50/50 option builds up a pension of a 98th of the pay received during that year, which is again protected against inflation. Ill health pensions can also be awarded, based on one of three tiers, for those that satisfy the Scheme's criteria for permanent incapacity. Those in the 50/50 option have full ill-health and death cover. Membership that was built up before 1 April 2014 continues to provide benefits as it did at the time. Membership from 1 April 2008 to 31 March 2014 therefore provides final salary pensions based on 60ths.

Membership before that also provides final salary benefits, based on 80ths. Members can normally exchange some annual pension for a larger lump sum at a rate of 1:12, in other words, every £1 of annual pension foregone produces £12 of lump sum. HMRC limits apply. Generally a minimum of two years membership is required to draw retirement benefits

### Age of retirement

Normal pension age is age 65 or State pension age, whichever is the later, but:

- Pension benefits are payable at any age if awarded due to ill health;
- Members may retire with unreduced benefits from age 55 onwards if their retirement is on grounds of redundancy or business efficiency;
- Members may retire early at their own choice from 55 onwards and employer approval is not required. But generally early retirement reductions will apply.
- Members who have left employment may request payment of benefits from age 55 onwards, but actuarial reductions may apply where benefits come into payment before normal pension age;

- Members who remain in employment may also ask to retire flexibly from age 55 onwards if they reduce their hours of work or grade. Employer consent is required and actuarial reductions may apply;
- Payment of benefits may be delayed beyond normal pension age but only up to age 75.

There are also various protections regarding membership that are linked to earlier normal retirement ages that applied in earlier versions of the Scheme.

#### **Benefits on death after retirement**

A death grant is payable if less than ten years pension has been paid and the pensioner is under age 75 at the date of death, in which case the balance of ten years pension is paid as a lump sum. Pensions are also normally payable to the member's spouse, civil partner, eligible cohabiting partner and any eligible dependent children.

#### **Benefits on death in service**

A lump sum death grant is payable, normally equivalent to three years assumed pay. The administering authority has absolute discretion over the distribution of this lump sum among the

deceased's relatives, dependants, personal representatives or nominees. Pensions may also be payable to the member's spouse, civil partner, eligible cohabiting partner and eligible dependent children.

#### **Cost of living increases**

Career average pensions that are being built up, and pensions in payment, are increased annually to protect them from inflation. Pensions Increases are currently in line with the Consumer Prices Index.



## The LGPS 2008/2014 Schemes

Changes to the Local Government Pension Scheme. The table shown here compares the LGPS 2008 and the LGPS 2014 schemes.

Provision	LGPS 2008	LGPS 2014
Basis of the Pension	Final Salary	A Career Average Revalue Earnings scheme. (Prior to 31st March 2014, the scheme was a final salary scheme).
Accrual rate	The accrual rate was 1/60th	The accrual rate is 1/49th.
Revaluation rate (the rate of increase for accumulated pension)	Based on Final Salary	Consumer Price Index
Normal Pension Age	65	There is no normal scheme pension age, instead each member's Normal Pension Age (NPA) will be their State Pension Age.
Employee Contribution Rates	Between 5.5% and 7.5%	Between 5.5% and 12.5%
Opting Out	No	Members who have already or are considering opting out of the scheme can instead elect to pay half the contributions for half the pension, while still retaining the full value of other benefits. This is known as the 50/50 option.
Lump Sum Trade Off	Trade £1 of pension for £12 lump sum	Trade £1 of pension for £12 lump sum
Death in Service Lump Sum	3 x Pensionable Pay	3 x Pensionable Pay
Death in Service Survivor Benefits	1/160th accrual based on Tier 1 ill health pension enhancement	1/160th accrual based on Tier 1 ill health pension enhancement
Ill Health provision	Tier 1 - Immediate payment with service enhanced to Normal Pension Age (65) Tier 2 - Immediate payment with 25% service enhancement to Normal Pension Age (65) Tier 3 - Temporary payment of pension for up to 3 years	Tier 1 - Immediate payment with service enhanced to Normal Pension Age (65) Tier 2 - Immediate payment with 25% service enhancement to Normal Pension Age (65) Tier 3 - Temporary payment of pension for up to 3 years
Indexation of pension in Payment	CPI (RPI for pre-2011 increases)	CPI
Vesting Period	3 Months	2 Years

The scheme includes a 50/50 option which allows a member to contribute half of their normal contribution rate into the scheme in return for half of their normal pension. Under this option full life assurance and ill health cover is retained.

## Scheme Membership

Entry to the LGPS is automatic for all employees under the age of 75 and with a contract of employment for more than three months. 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 two years 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.

Members who leave the scheme may transfer their accrued benefits to other approved schemes. Members who leave with less than two years membership can choose to receive a refund of their contributions (less income tax) provided they have no other LGPS benefits and, in most circumstances, have not transferred other pension benefits. New members may transfer benefits accrued with other schemes into the Fund (usually within a deadline of twelve months).

Standard contributions for members vary from 5.5% to 12.5% depending on the members' level of pensionable pay. Employers meet the balance of the cost of the LGPS through variable employer contributions which are set by the DCPF's

actuary every three years following a valuation. 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. Employer contribution rates are shown on page 32.

## Employees Contributions Table 2018-19

There are nine salary bands with a different contribution percentage for each band. The contribution percentage a member pays is based on their actual annual pensionable salary from 1 April to 31 March each year.

Contribution Table 2018-19			
Band	Pay Bands: Actual Pensionable Pay	Contribution Rate Main Scheme %	Contribution rate 50/50 Scheme %
1	Up to £14,100	5.50	2.75
2	£14,101 to £22,000	5.80	2.90
3	£22,001 to £35,700	6.50	3.25
4	£35,701 to £45,200	6.80	3.40
5	£45,201 to £63,100	8.50	4.25
6	£63,101 to £89,400	9.90	4.95
7	£89,401 to £105,200	10.50	5.25
8	£105,201 to £157,800	11.40	5.70
9	£157,801 or more	12.50	6.25

## Scheme Benefits

Benefits built up before April 2014 also retain their protected Normal Pension Age, which for most members is 65, although certain members have a retirement age of 60 for all or part of their membership. There is an additional protection for members who were active on 31 March 2012 and were within ten years of their protected Normal Pension Age on 1 April 2012. These members will get a pension at least equal to the pension they would have received in the LGPS had it not changed on 1 April 2014, subject to meeting certain criteria.

The main section of this scheme accrues a pension build up each year of 1/49th of pensionable pay received, with additional pension being added for each subsequent year and an adjustment to the pension build up each year in line with CPI. Alternatively, members can opt for the 50/50 section of the scheme, where they can pay 50% of the normal contribution and accrue 50% of the standard pension but still benefit from full ill health and death benefits.

Pension is determined at a rate of 1/60th of final pay for each year of membership between 1 April 2008 and 31 March 2014 and 1/80th of final pay for each year of membership before 1 April 2008.

Retirement grants are based on 3/80th of final pay for each year of membership before 1 April 2008. Although an automatic lump sum is not a feature of the retirement benefits after that date, retirees have the option to take a lump sum from the scheme up to certain limits, getting £12 of tax-free lump sum for every £1 of annual (taxable) pension given up.

Where a member dies in service, a lump sum in the form of a death grant would be paid. This death grant is equal to three years' pay. Survivor's pensions are payable on the death of a scheme member to the scheme member's husband, wife, civil partner or eligible co-habiting partner at an accrual rate of 1/160th. The survivor pension for an eligible co-habiting partner only takes account of the member's pensionable service after 5 April 1988. Children's pensions are also payable to eligible children of deceased scheme members.

In the main, benefits can be paid upon leaving to a member with at least 2 years qualifying membership in the following circumstances:

- on reaching State Pension Age, without any early retirement reductions applied;
- between the age of 55 and State Pension Age, however early retirement

reductions will normally apply where someone draws their pension benefits before State Pension Age. The amount of reduction that applies depends on the individual's age, sex, length of pensionable service and the date they joined the scheme;

- at any age, if the member retires on the grounds of permanent ill-health. Three different levels of ill-health benefit are payable, depending on how soon it is judged that an individual will be able to obtain gainful employment again in future. In the case of death in service, dependants' benefits are paid even if the membership is less than 3 months;
- at the age of 55 and, if the member retires by reason of redundancy or business efficiency.

If a member leaves with at least two years membership and is not entitled to immediate payment of benefits, and does not choose to transfer out their accrued benefits, deferred benefits are awarded. Deferred benefits are those which remain in the Fund and are paid when the member reaches retirement age. Such benefits are subject to inflationary increases between the date of leaving and the date of payment.

## Pension Increase

Mandatory increases in pensions and deferred benefits are made in accordance with annual statutory Pension Increase (Review) Orders to help protect pensions against inflation. As the September 2018 Consumer Prices Index (CPI) rate was 2.4%, the annual pension will increase by **2.4%** from Monday 8 April 2019.

If the members pension began before 24 April 2018, you will receive the full **2.4% increase**. If your pension began **on or after 24 April 2018**, you will receive a proportionate increase in line with the table below:

Pensions commencing before 24 April 2018		2.40%
24 April 2018	to 23 May 2018	2.20%
24 May 2018	to 23 June 2018	2.00%
24 June 2018	to 23 July 2018	1.80%
24 July 2018	to 23 August 2018	1.60%
24 August 2018	to 23 September 2018	1.40%
24 September 2018	to 23 October 2018	1.20%
24 October 2018	to 23 November 2018	1.00%
24 November 2018	to 23 December 2018	0.80%
24 December 2018	to 23 January 2019	0.60%
24 January 2019	to 23 February 2019	0.40%
24 February 2019	to 23 March 2019	0.20%

Pensioners must be over the age of fifty-five or have retired on ill-health grounds to receive the increase. Those in receipt of a widow's, widower's or dependant's benefit receive the increase regardless of age.

The table below shows the rate of increases that have applied for the last ten years:

Year Beginning April	Rate of Increase %	Index
2019	2.4	CPI
2018	3.0	CPI
2017	1.0	CPI
2016	0.0	CPI
2015	1.2	CPI
2014	2.7	CPI
2013	2.2	CPI
2012	5.2	CPI
2011	3.1	CPI
2010	0.0	RPI

## Participating Employers of the Fund

At 31 March 2019 there were 297 employers in the Pension Fund. Participating employers can be scheduled bodies or admitted bodies, as defined below:

- **Scheduled Bodies.** Employers such as the County Council (including maintained schools), Academies and District and Borough Councils, whose employees are automatically entitled to be members of the Fund.
- **Admitted Bodies.** These are voluntary, charitable and, in certain circumstances, private sector organisations carrying out scheduled bodies' contracts, where staff can become members of the Scheme by virtue of an Admission Agreement between the Pension Fund and the relevant body. At 31 March 2019 there were 64 admitted bodies participating in the Pension Fund.

The membership of the Scheme is analysed below over the three main categories of Active Members, Deferred Members and Pensioners.

- **Active Members:** Those in employment with the Council or one of the scheme employers making

contributions to the Pension Fund.

- **Deferred Members:** Those who have left the Council or one of the Scheme employers but have not yet become entitled to receive their pension from the Scheme.
- **Pensioners:** Those who receive a pension from the Scheme (including spouses' and dependants' pension).

Scheme employers are supported by a dedicated team, who are available to assist and support employers. In addition to the information, forms and fact sheets available on our website, regular training is provided to assist employers in understanding their role and responsibilities, and in completing the data returns required.

Our employers are all required to use our Your Fund employer portal, which enables notifications and data to be exchanged securely. This system links directly into our work flow system.

Employer meetings, (Pension Liaison Officers Group – PLOG), meet three times a year, and all employers are invited to attend.

Specific support is provided to employers outsourcing and new employers including a dedicated section on our website.

Full support and regular training is provided to assist employers in completing and maintaining their LGPS discretions policy, including a section on the fund website containing a full list of discretions, policy guidance and a template document at [www.yourpension.org.uk/Dorset/Employers](http://www.yourpension.org.uk/Dorset/Employers)

## Employer Contribution Rates - Year Ended 31 March 2019

The tables below show the Scheduled Bodies and Admitted Bodies Information.

The following are the employers participating in the Dorset County Pension Fund as at 31 March 2019. The contribution rates shown are the percentage of its employees' pensionable pay that each employer paid into the fund during 2018-19. The contribution rates are set at a level so as to bring the fund to 100% funding over a period of twenty-two years. The contributions received from both employer and employee during the year are also shown.

Scheduled Bodies	Number of Active Members	Number of Pensioners	Contribution Rate Paid %	Employer Contributions	Employee Contribution Rate Paid %	Employee Contributions
<b>Principal Councils</b>						
Borough of Poole	2,016	2,590	15.9	10,355,661.71	6.5	3,028,771.74
Bournemouth Borough Council	2,397	3,533	15.2	13,855,274.62	6.4	3,703,413.53
Christchurch Borough Council	245	295	15.2	1,009,242.05	6.6	326,222.11
Dorset County Council - Post LGR 1/4/1997	6,488	6,115	22.5	26,960,445.41	6.3	7,034,097.39
Dorset County Council - Pre LGR 1/4/1997	0	2,524	N/A	-	N/A	-
East Dorset District Council	262	309	15.2	995,139.59	6.5	314,025.33
North Dorset District Council	0	221	N/A	154,000.00	N/A	-
Purbeck District Council	108	196	15.8	716,350.70	6.5	173,491.81
Tricuro	996	240	17.7	3,146,279.10	5.9	1,011,075.36
Weymouth Councils Partnership	625	999	15.3	3,374,616.58	6.6	1,035,053.27

<b>Parish and Town Councils</b>						
Alderholt Parish Council	2	0	22.0	7,451.26	5.7	1,928.15
Arne Parish Council	1	0	22.0	1,457.45	5.5	364.29
Bere Regis Parish Council	1	0	22.0	2,372.81	5.8	625.57
Blandford Town Council	14	11	22.0	57,614.09	6.4	16,592.30
Bothenhampton And Walditch Parish Council <sup>1</sup>	1	0	22.0	-	5.5	-
Bridport Town Council	19	8	22.0	92,050.43	6.3	26,404.27
Chickerell Town Council	2	0	22.0	9,099.13	6.2	2,555.03
Colehill Parish Council	1	2	22.0	4,141.01	5.9	1,136.56

Scheduled Bodies	Number of Active Members	Number of Pensioners	Contribution Rate Paid %	Employer Contributions	Employee Contribution Rate Paid %	Employee Contributions
Corfe Mullen Parish Council	6	1	22.0	26,059.95	6.0	8,226.54
Crossways Parish Council	1	0	22.0	3,064.08	6.5	905.28
Dorchester Town Council	24	24	22.0	97,211.94	6.4	28,743.88
East Stoke Parish Council	1	0	22.0	606.87	5.5	151.70
Ferndown Town Council	5	7	22.0	30,401.57	7.1	9,746.71
Gillingham Town Council	11	8	22.0	66,153.78	6.7	20,196.09
Knightsford Parish Council <sup>2</sup>	0	0	22.0	490.82	6.5	1,667.08
Lyme Regis Town Council	17	12	22.0	86,545.46	5.9	23,884.17
Lytchett Matravers Parish Council	1	0	22.0	3,330.30	5.8	878.02
Lytchett Minster & Upton Town Council	6	1	22.0	26,272.56	5.8	7,002.74
Milborne St Andrew Parish Council	1	0	22.0	543.84	5.5	135.96
Portland Town Council	2	3	22.0	5,552.23	5.4	1,416.32
Puddletown Parish Council	1	0	22.0	770.44	5.9	189.52
Shaftesbury Town Council	7	3	22.0	39,892.40	6.3	11,371.72
Sherborne Town Council	16	19	22.0	77,326.82	6.4	22,418.34
St Leonards Parish Council	1	0	22.0	5,143.82	6.5	1,519.73
Stalbridge Town Council	1	0	22.0	4,550.09	5.8	1,200.35
Sturminster Marshall Parish Council	1	0	22.0	1,879.56	5.5	469.92
Sturminster Newton Parish Council	0	2	N/A	-	N/A	-
Swanage Town Council	28	63	22.0	124,840.51	5.9	34,242.16
Verwood Town Council	3	0	22.0	13,130.21	6.1	3,664.14
Wareham St Martin Parish	0	1	N/A	-	N/A	-
Wareham Town Council	6	9	22.0	33,539.64	6.4	9,977.44
West Moors Parish Council	2	1	22.0	8,840.63	6.2	2,492.57
West Parley Parish Council	1	0	22.0	3,322.61	5.8	830.62
Wimborne Minster Town Council	9	2	22.0	37,068.82	6.0	10,014.37
Wool Parish Council	1	1	22.0	2,856.36	5.6	723.34
<b>Further and Higher Education Establishments</b>						
Arts Institute At Bournemouth	239	64	14.1	981,054.46	6.5	421,351.18
Bournemouth & Poole Adult Learning	116	28	19.6	444,650.37	6.2	78,537.94

Scheduled Bodies	Number of Active Members	Number of Pensioners	Contribution Rate Paid %	Employer Contributions	Employee Contribution Rate Paid %	Employee Contributions
Bournemouth And Poole College	405	399	15.5	1,508,279.55	6.4	396,080.76
Bournemouth University	1,546	517	13.1	4,443,951.31	6.9	2,041,812.29
Harewood College	0	3	N/A	-	N/A	-
Kingston Maurward College	189	103	15.1	367,235.91	5.9	138,834.73
Weymouth College	210	208	15.3	650,289.25	6.0	184,645.30
Winton Arts & Media College	60	4	18.8	132,504.27	6.1	42,286.72

Academies and Schools	Number of Active Members	Number of Pensioners	Contribution Rate Paid %	Employer Contributions	Employee Contribution Rate Paid %	Employee Contributions
Ad Astra Infant School (Teach Trust) <sup>3</sup>	42	3	N/A	-	N/A	-
Allenbourn Middle School <sup>4</sup>	55	6	N/A	-	N/A	-
Ambitions Academies Trust	51	2	18.8	101,286.30	5.8	35,927.74
Atlantic Academy (Aspirations)	51	10	18.8	268,202.86	6.2	63,310.49
Avonbourne Academy	173	18	18.8	411,294.65	6.1	136,179.82
Avonbourne School	0	26	N/A	-	N/A	-
Baden Powell & St Peter School <sup>5</sup>	53	3	N/A	-	N/A	-
Bayside Academy (Ambitions)	32	0	18.8	79,386.52	5.6	23,748.42
Beaminster St Mary's Academy	17	5	18.8	24,319.23	5.5	7,114.07
Beaucroft School	0	11	N/A	-	N/A	-
Beechcroft St Pauls (DSAT)	35	0	18.8	55,186.54	5.5	16,767.56
Bethany CE Junior School <sup>6</sup>	34	5	N/A	-	N/A	-
Bishop Of Winchester Academy	62	9	18.8	162,982.34	5.8	50,552.71
Blandford Education Trust	108	5	18.8	137,711.85	5.7	41,496.07
Bourne Academy	49	9	18.8	197,027.05	6.3	66,722.32
Bournemouth School	0	17	N/A	-	N/A	-
Bournemouth School Academy	40	6	18.8	111,419.26	6.2	36,772.09
Bournemouth School For Girls	0	15	N/A	-	N/A	-
Bournemouth School For Girls Academy	57	14	18.8	148,530.31	6.3	49,782.07
Broadstone First School <sup>7</sup>	31	4	N/A	-	N/A	-
Broadstone Middle School <sup>7</sup>	25	1	N/A	-	N/A	-
Budmouth College	131	51	22.5	399,201.58	5.9	109,221.49
Canford Heath Infants School (Teach Trust) <sup>3</sup>	48	3	N/A	-	N/A	-

Scheduled Bodies	Number of Active Members	Number of Pensioners	Contribution Rate Paid %	Employer Contributions	Employee Contribution Rate Paid %	Employee Contributions
Canford Heath Junior School (Teach Trust) <sup>3</sup>	42	2	N/A	-	N/A	-
Carter Community School	41	6	18.8	97,044.22	6.1	31,391.17
Castleman Academy Trust	4	1	18.8	131,910.07	5.7	40,208.27
Chickerell Primary Academy	38	10	18.8	68,574.44	5.6	20,538.17
Colehill First School <sup>4</sup>	28	3	N/A	-	N/A	-
Corfe Castle Primary School <sup>8</sup>	10	0	N/A	-	N/A	-
Corfe Hills Academy	62	60	18.8	157,898.26	5.9	50,066.19
Courthill Infants School <sup>5</sup>	60	3	N/A	-	N/A	-
Dorchester Middle School	47	7	18.8	85,618.39	5.7	26,169.24
Dorset Studio School	6	0	18.8	21,400.72	6.1	6,909.36
Dunbury C of E Academy	24	1	18.8	26,458.70	5.5	7,673.13
Elmrise Academy Leaf	39	1	18.8	77,736.59	5.6	23,248.89
Emmanuel C of E Middle School <sup>4</sup>	27	5	N/A	-	N/A	-
Epiphany C of E Primary School	51	8	18.8	61,287.42	5.7	18,483.43
Glenmoor Academy	8	3	18.8	25,211.44	5.9	7,217.08
Hamwic Education Trust	537	10	18.8	667,727.59	5.7	202,932.54
Harbourside Learning Partnership	6	0	18.8	430,688.36	5.7	129,028.33
Hayeswood First School <sup>4</sup>	21	3	N/A	-	N/A	-
Haymoor Junior School (Teach Trust) <sup>3</sup>	32	7	N/A	-	N/A	-
Heath Academy Trust	130	7	18.8	225,870.65	5.6	61,446.82
Heatherlands Primary School <sup>6</sup>	42	1	N/A	-	N/A	-
Heathlands Primary School <sup>6</sup>	33	5	N/A	-	N/A	-
Highcliffe School	58	34	18.8	184,376.76	6.1	59,661.94
Highcliffe St Mark Primary School	0	6	N/A	-	N/A	-
Hill View Primary Academy	0	1	N/A	-	N/A	-
Hillary Trust	0	2	N/A	-	N/A	-
Hillside Community First School <sup>4</sup>	19	0	N/A	-	N/A	-
Hillview Academy (Reach)	57	2	18.8	76,804.54	5.7	23,051.04
IPACA	0	29	N/A	-	N/A	-

Scheduled Bodies	Number of Active Members	Number of Pensioners	Contribution Rate Paid %	Employer Contributions	Employee Contribution Rate Paid %	Employee Contributions
Jewell Academy	55	0	18.8	73,199.52	5.4	21,567.03
Kings Park Academy	54	7	18.8	134,301.78	5.8	40,777.75
Kingsleigh Primary School	88	4	18.8	182,286.00	5.8	55,942.55
Kinson Primary School	34	4	18.8	71,020.36	5.7	21,546.05
LeAF Studio	15	0	18.8	37,910.03	5.9	11,836.76
Lilliput C of E Infant School <sup>5</sup>	41	0	N/A	-	N/A	-
Lockyer's Middle School <sup>4</sup>	29	2	N/A	-	N/A	-
Loders CE Primary Academy	9	1	18.8	17,642.25	5.5	3,260.73
Longfleet Primary School <sup>5</sup>	66	3	N/A	-	N/A	-
Longspee Academy	22	0	18.8	121,210.96	5.5	27,990.58
Lytchett Minster School	69	20	22.5	222,594.14	6.0	59,211.39
Magna Academy	36	10	18.8	93,633.26	6.4	35,205.59
Malmesbury Park Primary School	73	9	18.8	123,991.04	5.7	37,521.41
Manorside Primary Academy	24	7	18.8	57,936.33	5.8	17,590.91
Marshwood CE Primary School	9	0	18.8	11,203.19	5.5	3,277.46
Merley First School <sup>4</sup>	39	2	N/A	-	N/A	-
Milldown C of E Primary	31	2	18.8	32,693.80	5.5	9,646.27
Montacute School	73	27	18.8	151,467.61	5.8	46,687.84
Moordown St Johns Primary School	50	6	18.8	69,419.52	5.7	21,035.37
Muscliff Primary School	71	5	18.8	127,587.65	5.7	38,566.08
Oakdale Junior School <sup>5</sup>	43	0	N/A	-	N/A	-
Oakmead Academy Leaf	34	9	18.8	269,650.89	6.0	40,388.67
Ocean Academy Poole	32	1	18.8	47,179.43	5.7	14,241.32
Ocean Learning Trust	41	0	18.8	436,143.94	5.7	133,629.10
Old Town Infant School & Nursery <sup>5</sup>	27	3	N/A	-	N/A	-
Parkfield Academy (Reach)	25	0	18.8	67,938.82	5.9	21,325.22
Parkfield School	0	2	N/A	-	N/A	-
Parkstone Grammar School	67	26	18.8	160,472.74	6.1	51,912.19
Plymouth CAST - Bournemouth	88	5	18.8	135,492.04	5.7	39,662.07
Plymouth CAST - Dorset	152	19	18.8	181,183.91	5.6	54,437.66

Scheduled Bodies	Number of Active Members	Number of Pensioners	Contribution Rate Paid %	Employer Contributions	Employee Contribution Rate Paid %	Employee Contributions
Plymouth CAST - Poole	101	5	18.8	142,927.26	5.7	43,260.40
Pokesdown Community Primary School	60	9	18.8	81,141.29	5.7	24,557.88
Poole Grammar School	66	36	18.8	173,389.64	6.0	55,936.44
Poole High School	118	34	21.0	312,999.87	5.9	87,955.42
Queen Elizabeth's School	65	11	18.8	204,557.16	6.1	66,815.72
Queens Park Infant Academy	1	5	18.8	40,851.52	5.6	12,270.20
Queens Park Junior Academy	35	1	18.8	75,680.48	5.7	22,638.68
Saturn Education Trust	45	0	18.8	113,967.08	5.6	33,737.02
Sherborne Area School's Trust	284	37	18.8	529,252.11	5.7	161,198.19
Shillingstone C.E. V.A. Primary School <sup>9</sup>	0	6	22.5	8,227.17	5.5	2,008.28
Southern Multi Academy Trust	146	21	18.8	346,703.04	5.7	106,439.53
St Aldhelms Academy	35	6	18.8	103,028.53	6.0	35,586.41
St Andrew's C of E Primary School	37	3	18.8	68,303.91	5.5	20,217.32
St Clement's And St John's C of E Infant School <sup>6</sup>	26	4	N/A	-	N/A	-
St Edward's RC & C of E School	59	4	21	176,398.39	5.9	49,934.07
St Gregory's Primary School	0	1	N/A	-	N/A	-
St James' C of E VC First School	28	6	18.8	69,747.60	5.7	21,636.74
St John's CE VC First School <sup>4</sup>	19	2	N/A	-	N/A	-
St John's Primary School	46	1	18.8	61,595.48	5.5	17,832.17
St Luke's C of E Primary School <sup>6</sup>	44	0	N/A	-	N/A	-
St Mark's C of E Primary School	70	3	18.8	94,235.58	5.5	27,809.19
St Mark's CE Primary School Swanage <sup>8</sup>	12	2	N/A	-	N/A	-
St Mary's Middle School (Greenwood Tree Academy Trust)	126	8	18.8	194,584.81	5.6	57,925.28
St Michael's Primary School	66	5	18.8	127,556.85	5.5	37,953.36
St Michael's Middle School	40	3	N/A	-	N/A	-
St Osmund's C of E Middle School	59	10	18.8	105,374.16	5.8	32,258.67
St Peter's RC School	139	54	18.8	286,893.23	5.8	88,104.90
St Walburgas Catholic Primary School	0	4	N/A	-	N/A	-
Stalbridge Primary School	0	3	N/A	-	N/A	-

Scheduled Bodies	Number of Active Members	Number of Pensioners	Contribution Rate Paid %	Employer Contributions	Employee Contribution Rate Paid %	Employee Contributions
Stanley Green Infant Academy	37	2	18.8	38,449.81	5.3	10,858.31
Stourfield Infant School	0	1	N/A	-	N/A	-
TEACH Trust	6	0	18.8	308,770.80	5.8	94,230.79
The Bicknell School	0	8	N/A	-	N/A	-
The Minerva Learning Trust	174	10	18.8	270,136.51	5.7	72,399.16
The Quay School	27	3	18.8	73,046.64	5.9	23,305.61
The Swanage School	28	0	18.8	64,780.93	6.0	20,510.47
Thomas Hardye School	115	38	18.8	303,061.63	5.9	92,753.14
Tregonwell Academy	105	7	18.8	167,853.33	6.0	48,185.97
Trent Young's CE School	17	2	18.8	22,368.96	5.5	6,421.74
Twynham School	288	44	18.8	623,965.97	6.0	198,663.19
Verwood C of E First School <sup>4</sup>	52	0	N/A	-	N/A	-
Wareham St Mary CE Primary School <sup>8</sup>	15	3	N/A	-	N/A	-
Westfield Arts College	101	40	22.5	298,651.14	5.9	80,028.22
Wey Valley School	62	16	18.8	171,956.73	6.2	56,504.36
Wimborne Academy Trust	8	1	18.8	483,097.91	5.8	148,010.56
Winton Primary Academy	52	3	18.8	122,541.74	5.7	37,017.71
Witchampton C of E Voluntary Aided First School <sup>4</sup>	11	3	N/A	-	N/A	-
Woodroffe School	47	42	22.5	175,243.23	6.0	47,115.56
Wyvern Academy	100	11	18.8	230,607.26	5.6	69,091.01
<b>Other</b>						
Bournemouth Health	0	1	N/A	-	N/A	-
Bournemouth Airport	0	40	N/A	-	N/A	-
Bournemouth Transport	1	203	23.2	299,717.76	6.3	3,716.52
Compass Contract Services Ltd	6	1	18.2	10,093.83	5.5	3,025.12
Dorchester Joint Burial Committee	0	1	N/A	-	N/A	-
Dorset CC Health	0	1	N/A	-	N/A	-
Dorset & Wiltshire FRS <sup>10</sup>	0	0	17.1	653,075.06	6.4	205,661.58
Dorset Magistrates Court	0	91	N/A	-	N/A	-

Scheduled Bodies	Number of Active Members	Number of Pensioners	Contribution Rate Paid %	Employer Contributions	Employee Contribution Rate Paid %	Employee Contributions
Dorset Valuation Panel	0	1	N/A	-	N/A	-
Edwards and Ward <sup>11</sup>	0	0	25.9	-6,333.70	5.5	141.51
Millbrook Healthcare (DCC)	4	3	16.8	29,432.48	6.4	10,401.80
Millbrook Healthcare (W&PBC)	2	0	N/A	-	N/A	-
Police & Crime Commissioner for Dorset	1,330	708	14.4	5,165,012.76	6.5	2,175,772.71
Poole Housing Partnership	96	60	14.4	454,511.61	6.9	187,935.34
Stour Valley & Poole Partnership	119	23	15.8	620,893.53	6.4	190,179.78
The Colliton Club	2	0	15.9	2,667.81	5.5	677.45
Wareham Joint Burial Committee	0	2	N/A	-	N/A	-
Wimborne Cemetery JMC	0	1	N/A	-	N/A	-
<b>Total Scheduled Bodies</b>	<b>24,540</b>	<b>20,794</b>				

Admitted Bodies	Number of Active Members	Number of Pensioners	Contribution Rate Paid %	Employer Contributions	Employee Contribution Rate Paid %	Employee Contributions
1610 Ltd	2	4	14.2	5,808.77	5.7	2,348.59
A P Chant	0	2	N/A	-	N/A	-
A Q S Homecare	0	11	N/A	-	N/A	-
Abilities	0	0	N/A	15,000.00	N/A	-
Action For Children	1	0	21.0	4,722.46	6.5	2,080.74
Addaction	0	1	N/A	-	N/A	-
AECC University College	31	31	20.5	152,012.72	6.7	49,681.99
Age UK Bournemouth	1	4	23.6	1,512.36	5.5	352.44
Ansbury	73	71	16.0	251,344.41	6.0	83,386.61
Aster/Synergy Housing Group	42	36	17.1	371,785.67	6.6	84,932.46
Barnardo's	0	1	N/A	-	N/A	-
BH Live	112	48	15.4	367,908.73	6.5	154,713.47
Bridport Museum	0	1	N/A	-	N/A	-
Care Quality Commission	1	0	14.4	35,584.84	6.8	2,991.46
Care South	0	363	N/A	-	N/A	-
Care UK	6	40	17.4	30,788.30	7.9	12,751.89

Admitted Bodies	Number of Active Members	Number of Pensioners	Contribution Rate Paid %	Employer Contributions	Employee Contribution Rate Paid %	Employee Contributions
Churchill Cleaning	0	2	N/A	-	N/A	-
Churchill Contract Services	0	1	N/A	-	N/A	-
Churchills (Bearwood)	0	1	N/A	-	N/A	-
Churchills (Poole)	0	1	N/A	-	N/A	-
Churchills (St Joseph's)	2	0	22.5	3,447.94	5.5	424.22
Citizens Advice Bournemouth and Poole	0	5	N/A	-	N/A	-
Convex Leisure Ltd	0	2	N/A	-	N/A	-
CSCI	0	15	N/A	-	N/A	-
DC Leisure Management Ltd	0	6	N/A	-	N/A	-
Dorset Association of Parish and Town Councils	2	5	23.6	13,001.43	6.2	3,413.50
Dorset Community Action	2	32	23.6	11,668.94	6.3	3,107.83
Dorset County Museum	5	15	23.6	27,923.79	6.7	7,556.73
Dorset Lighting	0	1	N/A	-	N/A	-
East Boro Housing Trust	46	6	17.7	138,071.27	6.6	40,972.19
East Dorset Housing Association	0	43	N/A	-	N/A	-
Healthy Living Wessex	0	1	N/A	-	N/A	-
Innovate Services Ltd	2	0	21.2	4,882.12	5.7	1,319.33
Interclean	0	1	N/A	-	N/A	-
Jurassic Coast Trust	4	0	21.5	22,970.21	5.8	6,194.39
Links4Learning	0	1	N/A	-	N/A	-
Lymearts Community Trust Ltd	0	1	N/A	-	N/A	-
Mack Trading	1	2	18.1	5,897.06	6.3	1,906.25
Magna Housing Association	64	232	17.2	556,968.05	6.9	129,736.89
Magna Housing Group	9	30	16.6	144,397.38	7.6	28,623.74
Mouchel	0	68	N/A	-	N/A	-
Nviro Limited	3	0	21.9	4,889.30	5.5	1,190.41
Places For People	11	1	17.7	46,871.98	6.2	10,254.35
Poole Harbour Commissioners	0	7	N/A	-	N/A	-
Purbeck Housing Trust	0	15	N/A	-	N/A	-
Sequal Solutions Ltd	0	2	N/A	-	N/A	-
Signpost Care Partnerships	0	2	N/A	-	N/A	-

Admitted Bodies	Number of Active Members	Number of Pensioners	Contribution Rate Paid %	Employer Contributions	Employee Contribution Rate Paid %	Employee Contributions
Signpost Housing Association	0	46	N/A	-	N/A	-
Signpost Services Ltd	0	7	N/A	-	N/A	-
SLM Charitable Trust Weymouth	6	2	13.0	18,241.66	6.2	8,587.80
SLM Community & Leisure Blandford	14	3	12.0	23,903.82	6.4	12,666.39
SLM Community Leisure Charitable Trust	27	2	16.0	90,308.04	6.2	25,393.75
SLM Food And Beverage Ltd	1	1	16.0	3,929.76	5.9	1,075.41
South Dorset Community Sports Trust	1	0	26.6	4,935.20	6.5	1,204.84
Sovereign Housing Association	3	47	16.3	178,078.64	9.6	16,574.29
Spectrum Housing Group	13	15	17.3	350,024.41	6.3	43,246.65
Stonewater	2	28	14.7	119,771.96	9.3	12,522.73
The Arts Development Company	4	2	19.8	20,224.29	6.0	5,271.34
Two Counties Cleaning <sup>2</sup>	0	0	9.5	157.98	5.5	91.48
Wessex Education Shared Services	26	5	19.4	106,162.26	6.3	35,128.01
Wessex Water	0	6	N/A	-	N/A	-
Weyco Services Ltd	8	0	15.3	25,386.99	6.0	8,801.63
Weymouth And Portland Housing Advice	0	51	N/A	-	N/A	-
Weymouth Port Health Authority	3	15	23.6	889.92	5.5	207.36
<b>Total Admitted Bodies</b>	<b>528</b>	<b>1,341</b>				
<b>Overall Total</b>	<b>25,068</b>	<b>22,135</b>		<b>94,290,363.77</b>		<b>27,921,649.43</b>

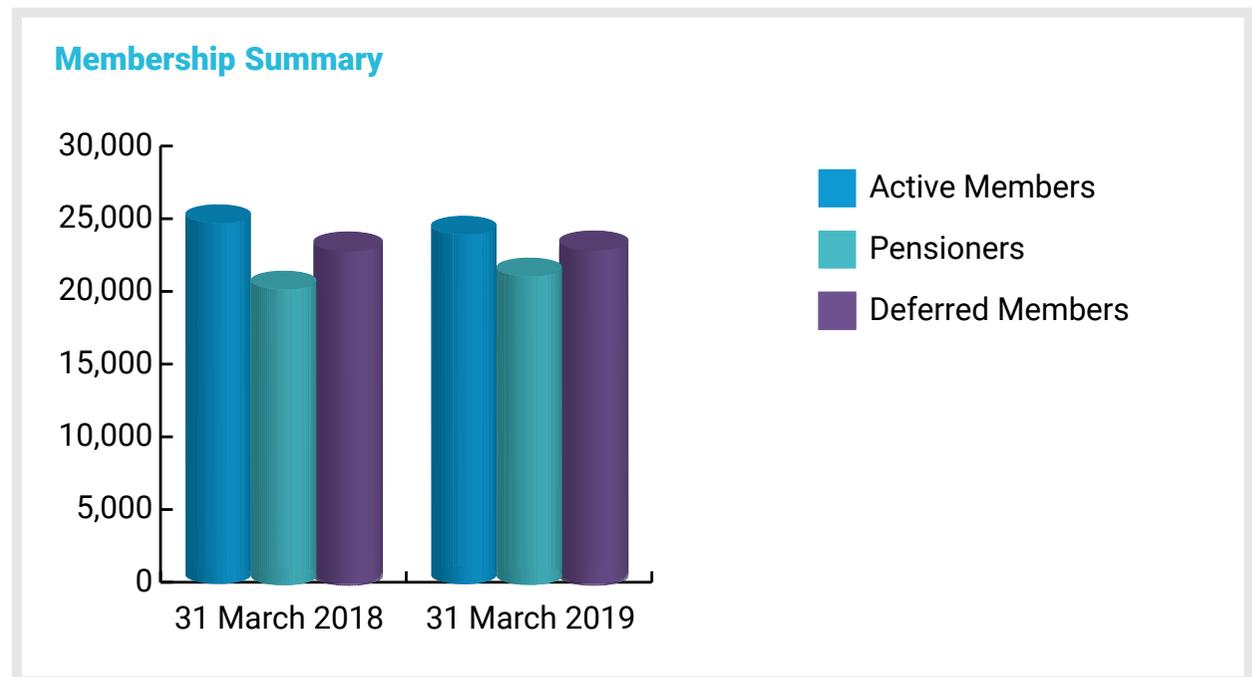
1. The backdated contributions to be paid in 2019-20.
2. No active members as not set up on Altair until 2019-20.
3. Contributions all recorded under "TEACH Trust" - there is no split for individual schools.
4. Contributions all recorded under "Wimborne Academy Trust" - there is no split for individual schools.
5. Contributions all recorded under "Harbourside Learning Partnership" - there is no split for individual schools.
6. Contributions all recorded under "Ocean Learning Trust" - there is no split for individual schools.
7. Contributions all recorded under "Castleman Academy Trust" - there is no split for individual schools.
8. Contributions all recorded under "Saturn Education Trust" - there is no split for individual schools.
9. There are no active members as the school went back to Dorset County Council payroll from 1 July 2018.
10. There were no active members as there was a bulk transfer during 2018-19.
11. There were no active members as at 31 March 2019 as the employer went into administration in October 2018.

## Other Scheme Administration Information

### Scheme Membership

The table opposite shows the Membership in the Fund over the last two financial years.

Membership Summary	31 March 2018	31 March 2019	Change	Change %
Active Members	25,871	25,068	-803	-3.1
Pensioners	21,217	22,135	918	4.3
Deferred Members	23,863	23,930	67	0.3
	<b>70,951</b>	<b>71,133</b>		



### Age Profile of Fund Membership as at 31 March 2019

As at 31 March 2019 the Fund had a total membership of 71,133, split into 25,068 active members, 23,930 deferred members and 22,135 pensioners. The fund membership is split 62.9% female and 37.1% male, with fourteen pensioners over 100 years old (8 females and 6 males). The chart opposite shows the Fund Age profile as at 31 March 2019.

### Starters and Leavers During 2018-19

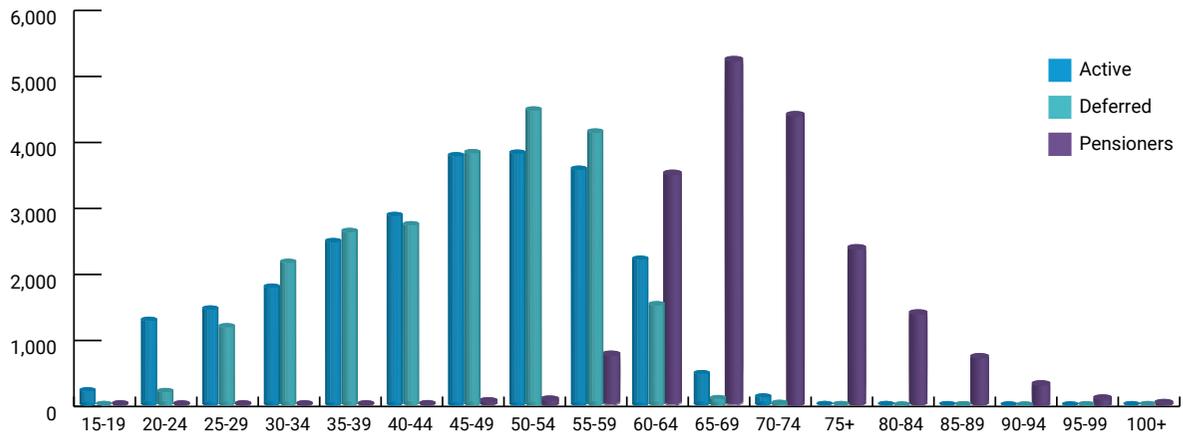
During 2018-19 there were 5,339 new starters in the Pension Fund and 5,459 that have left the scheme.

### Contributions and Benefits

The table below and the chart opposite show the history of Contributions Received and Benefits Paid over the last five financial years.

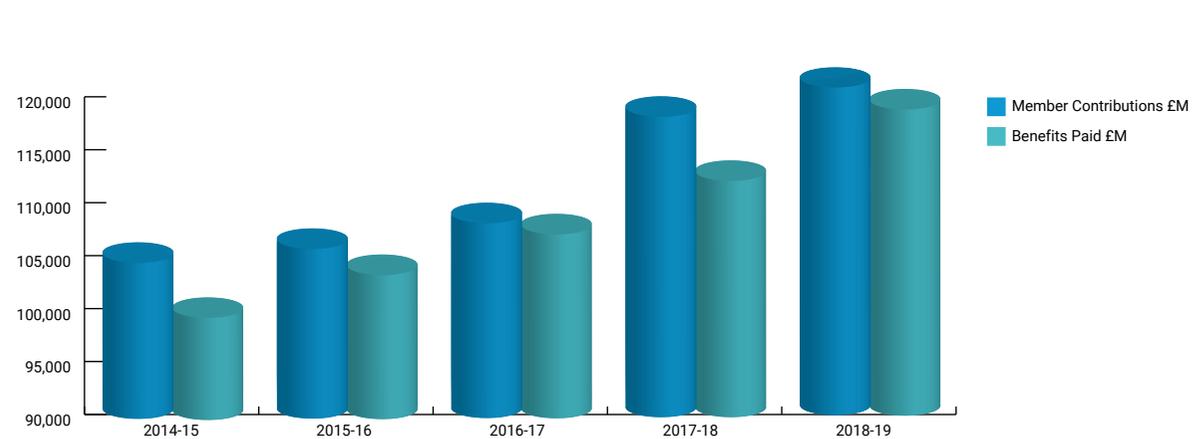
Year	Member Contributions £M	Benefits Paid £M
2014-15	105,331	100,022
2015-16	106,672	104,157
2016-17	109,146	108,075
2017-18	119,537	113,223
2018-19	122,212	120,112

### Fund Age Distribution as at 31 March 2019



\* This does not include the dependants

### Contributions Received and Benefits Paid 2014-15 to 2018-19



## New Pensioners Details

The table below shows the details of new pensioners split between various categories.

New Pensioners	
Title	Total Members
Actuarial Reduction	2
Early Retirement	808
Flexible Retirement	50
Ill-health Retirement	37
Late Retirement	126
Normal Retirement	133
Redundancy/Efficiency	171
<b>Total</b>	<b>1,327</b>

## Scheme Administration

Dorset Council is the administering authority for the Dorset County Pension Fund and the scheme administration is the responsibility of the Fund Administrator. The costs of administering the scheme are charged to the Pension Fund.

Financial Services staff assist the Fund Administrator in his statutory duty to ensure that the Pension Scheme remains solvent and is administered effectively, adhering to the Local Government Pension Scheme Regulations in order to meet any current and future liabilities.

## Staffing

There are four teams within the Pensions and the Treasury and Investments Team; three teams which administer the Local Government Pension Scheme - the Technical Administration Teams, the Employer Relationship and Communication Team and the Systems Team. The remaining team is the Treasury and Investments Team.

The photograph below includes staff from the Dorset Council's Treasury and Investments Team and the Pension Team.



The Pensions Administration team is accountable to the Pension Fund Committee, the Local Pensions Board, participating employers and Scheme members. The team is fully committed to providing a quality service to meet the needs of the Fund's various stakeholders and to deliver excellent customer care.

The Pensions Administration Team comprises 34 full time equivalent staff who provide a wide range of services including:

- administration of the affairs of Dorset County Pension Fund;
- administration of new starters in the Scheme;
- calculation of pensions and lump sums for retiring members of the LGPS and provision of early retirement estimates;
- calculation of service credit calculations, outgoing transfer value calculations and divorce estimates for the Local Government;
- calculation of deferred pensions and refunds for early leavers;
- calculation of widows and dependants benefits for retired and active members;
- dealing with the administration of in-house AVCs and APCs;

- maintenance of the database of pension scheme members and provision of annual benefit statements and deferred benefit statements;
- undertaking the annual pension increase exercise;
- key Performance Indicators report;
- promotion and facilitation of relationships and working arrangements between Dorset Council and its Employers;
- responsible for the design, procurement and issuing of fact sheets, newsletters and guidance to scheme members and employers;
- liaison with the Actuary to provide information for the triennial valuation, annual accountancy disclosures and ad hoc costings for employers and prospective employers;
- preparation of Pensions Fund Committee reports relating to benefits related issues.

A team of 4 full time equivalent staff in the Treasury and Investments Team provide support to the Fund Administrator in his statutory role in relation to accounting and investment related activities for the Pension Fund, including:

- collection of employee and employer contributions to be invested into the LGPS;
- day-to-day accounting for the Pension Fund;
- liaison with External and Internal Audit;
- preparation of the Pension Fund Accounts for inclusion in Dorset Council's Statement of Accounts;
- preparation of the Annual Report and Accounts of the Pension Fund;
- reconciliation of all Managers' purchases, sales and dividends received;
- allocation of cash to Investment Managers;
- appointment of Advisers and Actuary;
- investment of the Fund's surplus cash balances;
- liaison with Investment Managers, Advisers and Actuary;

- monitoring and review of Investment Managers, Advisers and Actuary;
- preparation of the Investment Strategy Statement and Funding Strategy Statement;
- rebalancing of Investment Managers' portfolios to their target asset allocations;
- completion of statistical and financial returns for Government and other bodies;
- co-ordination of the production of FRS102/ IAS19 information for employers;
- co-ordination of reports for Quarterly Pension Fund Committee meetings and the Pension Fund's Annual Meeting;
- preparation of Pension Fund Committee reports relating to investments and accounting issues.

### **The Pensions Regulator (TPR)**

Following the continuing expansion of its statutory duties in respect of Public Sector Pension Schemes (PSPS) the TPR priorities for 2018 to 2021 are:

- a) developing an approach to regulation that focuses on more proactive and targeted work and uses a wider

- range of regulatory interventions;
- b) effective regulation of defined benefit schemes;
- c) effective regulation of master trusts;
- d) enhancing and executing effective regulatory approaches across all schemes;
- e) equipping our staff to meet the challenges that TPR faces;
- f) ensuring employers meet their ongoing automatic enrolment duties;
- g) preparing for the impact of Brexit;
- h) promoting good trusteeship through improving governance and administration.

### **New Pensions Minister**

The DCLG minister with responsibility for the LGPS in England & Wales is Luke Hall, Conservative MP for Thornbury and Yate.

### **Communications**

The Pension Fund is committed to establishing and maintaining effective communications with its members and other interested parties. The Fund has a Communications Policy statement formalising the processes by which this will be achieved. This policy statement is

available on the Fund's website at [www.yourpension.org.uk](http://www.yourpension.org.uk) and is reproduced in full on page 140.

### **Internal Dispute Resolution Procedure**

From the day a person starts a job with an employer, to the day when benefits or dependant's benefits are paid, the employer and the Pension Scheme administering authority have to make decisions under the Pension Scheme rules that affect the member (or their dependants). When the member (this includes dependants) is notified of a decision they should check, as far as they can, that it is based on the correct details and that they agree with the decision.

If they are not satisfied with any decision affecting them made in relation to the Scheme, they have the right to ask for it to be looked at again under the formal complaint procedure. They also have a right to use the procedure if a decision should have been made by their employer or administering authority, but it hasn't been. The complaint procedure's official name is the "Internal Dispute Resolution Procedure" (IDRP).

The following gives an overview of the IDR process:

### First stage

If a member needs to make a formal complaint, they should make it:

- in writing, and
- normally within 6 months of the day when they were told of the decision they want to complain about.

The complaint will be considered carefully by a person nominated by the body that took the decision against which the member wishes to complain. This guide calls them the “nominated person”. That person is required to give the member their decision in writing.

If the nominated person’s decision is contrary to the decision the member complained about, the employer or administering authority that made that original decision will now have to deal with your case in accordance with the nominated person’s decision.

If the decision the member complained about concerned the exercise of discretion by the employer or administering authority, and the nominated person decides that the

employer or administering authority should reconsider how they exercised their discretion, they will be required to reconsider their original decision.

### Second Stage

The member can ask the pension scheme administering authority to take a fresh look at the complaint in any of the following circumstances:

- the member is not satisfied with the nominated person’s first-stage decision;
- the member has not received a decision or an interim letter from the nominated person, and it is 3 months since the member lodged your complaint;
- it is one month after the date by which the nominated person told the member (in an interim letter) that they would give them a decision, and they have still not received that decision.

This review would be undertaken by a person not involved in the first stage decision.

The member will need to send the appropriate administering authority their complaint in writing. The time limits for making the complaint are set out within

the IDR Employee’s Guide (see link below). The administering authority will consider the complaint and give you their decision in writing.

If the member is still unhappy following the administering authority’s second stage decision, they can take the case to the Pensions Ombudsman provided they do so within 3 years from the date of the original decision (or lack of a decision) about which the member is complaining.

If a member approaches you because they are unhappy with a decision made please ask them to contact staff in the Pensions Administration team in the first instance as many issues can be resolved without the need to resort to the lengthy process of IDR. It could simply be that there is a misunderstanding of the Regulations and that the decision made is in fact correct and this can be explained to the member accordingly.

The LGPS Internal Dispute Resolution Procedure (IDRP – Employee’s Guide and the IDR – Employer’s Wording) for correspondence can be found at: <https://www.yourpension.org.uk/Dorset/Employers/Employer-Guide/Internal-Dispute-Resolution-Procedure.aspx>

## Pensions Ombudsman

In cases where a complaint or dispute has not been satisfactorily resolved through the IDR, an application can be made to the pensions Ombudsman within three years of the event that gave rise to the complaint or dispute or, if later, within three years of when the individual first knew about it (or ought to have known about it). There is discretion in certain instances for the time limit to be extended.

The Ombudsman can investigate and determine any complaint or dispute involving maladministration of the scheme or matters of fact or law and his or her decision is final and binding (unless the case is taken to the appropriate Court on a point of law). Matters where legal proceedings have already started cannot be investigated by the Pensions Ombudsman.

The Pensions Ombudsman's website can be found at [www.pensions-ombudsman.org.uk](http://www.pensions-ombudsman.org.uk) or they can be contacted on **0800 917 4487**.

## The Pensions Advisory Service (TPAS)

TPAS is available at any time to assist members and beneficiaries of the

scheme in connection with any pension query that they may have difficulty which they cannot resolve with the scheme administrator. Information can be found on the TPAS website at: [www.pensionsadvisoryservice.org.uk](http://www.pensionsadvisoryservice.org.uk) or they can be contacted on **0800 011 3797**.

## General Data Protection Regulations

The General Data Protection Regulation (GDPR) is a new set of European Union (EU) regulations which came into force on 25 May 2018. GDPR changes how organisations process and handle data, with the key aim of giving greater protection and rights to individuals. In order to administer the pension scheme, LGPS funds require various pieces of personal data provided by both the individual member and their employer. To ensure GDPR compliance, every LGPS fund is required to update their privacy notice in line with the new requirements setting out, among other things, why certain data is held, the reason for processing the data, who they share the data with and the period for which the data will be retained. Within the notice, members will also be provided with additional information about their rights under the legislation. The Dorset Council's privacy notices are available to

view online at:

<https://www.dorsetcouncil.gov.uk/your-council/about-your-council/data-protection/data-protection.aspx>

## Equality and Diversity

Dorset County Pension Fund has a workforce that reflects and is part of the community it serves. It is the policy of Dorset Council to ensure that all its employees are selected, trained and promoted on the basis of their ability, the requirements of the job and other similar non-discriminatory criteria. All employment decisions are based purely on relevant and objective criteria.

Dorset aim to deliver accessible, high-quality and value for money services to all our customers, without discrimination on grounds of group memberships; for example; sex, race, disability, sexual orientation, religion, belief or age.

## Information Technology

The Pensions Team main administration system is Altair, provided under licence by Aquilla Heywood. This licence provides for regular upgrades to keep up to date with changes in regulations and developments in best practice. This system is used for holding membership data, the calculation of pension benefits,

the generation of scheme documents and the data extracts required at each actuarial valuation.

The Pensions Team use CMS for Case Management, provided under license by London Pension Fund Authority. This license provides the ability to track the lifecycle of an LGPS member, monitor the volume of work, ensure any member requests are responded to and automation of new starter records. It also provides 'Your Fund' a site for employers with secure access where they can submit online forms and data to the Pensions Team.

The Pensions Team use an Information Management System, provided under license by Hugh Symons. This license provides an electronic view of Pension members correspondence with a secure drive for the Pensions Team.

The Fund's financial data is collected from a number of different payroll providers and collated on the County Council's SAP system. This system is maintained in-house by the Council's IT team and includes comprehensive contingency and business continuity provisions. The payment of pensions is managed in-house by the Pension Fund, using SAP ERM System.

All County Council staff involved in Pension Fund Administration and Investment activities have access to the internet and the Council's intranet.

The Fund maintains a website that is managed by its own officers and supported by Dorset Council. The web address is [www.yourpension.org.uk/dorset](http://www.yourpension.org.uk/dorset)

### **Benefit Statements**

The Pensions Administration Team is required each year to send annual benefits statements to its active and deferred members. The statement is intended to inform the scheme member of the value of their benefits, and provide an overview of when they may become payable.

### **Performance Standards**

The Pensions Team has a number of service standards that it seeks to meet in order to ensure that it is providing an efficient and timely service to members of the LGPS. The standards are:

### **New Active Members**

*Membership Certificate:* Dorset aim to issue a Membership Certificate to a new member within one month of receiving a completed notification from the member's employer.

*Transfers In:* Dorset aim to acknowledge the member's request for transfer details and calculate the estimated benefits that a transfer value will buy and issue a quotation within 10 days of receiving details from the previous scheme and any additional essential information required from Her Majesty's Revenue & Customs. Dorset aim to request payment of the transfer value within 5 days of receiving confirmation from the member that the transfer is to proceed. Dorset aim to confirm the actual benefits purchased by the transfer value within 10 days of receiving payment from the previous scheme.

### **Existing Active Members**

*Annual Benefit Statements:* Provided pay details are received from employers promptly after the year end and all information is held, Dorset will make available each year an Annual Benefit Statement to each member showing the estimated current value of accrued benefits, the value of prospective benefits at normal retirement age, the estimated current value of death-in-service benefits and, for tax purposes the amount of Annual Allowance used by the change in benefit value since the previous year.

**Paying Extra Contributions:** Dorset aim to provide information within 10 days of receiving a request from a member wishing to pay extra contributions.

**Retirements:** Dorset aim to send details of the benefits payable and pay the member's tax-free cash lump sum within 10 days of receiving all of the information required from the member's employer and/or the member.

**Deaths:** Dorset aim to send details of the benefits payable within 10 days of receiving all of the information required from the late member's employer and we will pay the lump sum death grant within 10 days of receiving Grant of Probate (or other appropriate documentation) or authorisation from two delegated officers.

**Early Leavers:** Dorset aim to send details of the benefit options available within 30 days of receiving all of the information required from the employer.

**Refunds:** Dorset aim to pay a refund by the end of the month following receipt of the member's formal request for payment.

**Transfers Out:** Dorset aim to issue a quotation, guaranteed for 3 months, within 10 days of receiving the member's

request and confirmation of the member's contracted-out rights from Her Majesty's Revenue & Customs (where appropriate). Dorset aim to pay a transfer value within five days of receiving confirmation from the member that the transfer is to be made and all of the information required to make payment is received.

#### **Deferred Members**

**Annual Benefit Statements:** Dorset aim to make available to each deferred member a Benefit Statement by 31 August annually, showing the current value of the member's preserved benefits.

#### **Deferred Benefits into Payment:**

Members of the Fund can access their own pension records online, through Altair Member Self Service (My Pension). In 2018, the DCPF launched MSS facility, which enables active, deferred and pensioner members the option to change basic details, such as address, run through benefit calculations and also receive communications. This has been very successful, with approximately 25% of members signed up to this service.

The Dorset County Pension Fund has its own website, with information for all member types, and for employers. The

site contains information, forms and fact sheets, as well as details covering investments and governance.

Annual Benefit Illustrations are issued each year to active and deferred members together with an annual newsletter detailing regulatory changes and key messages for members. Annual newsletters are also sent to pensioner members each year. These communications are very well received by members.

Provided Dorset hold an address which has been confirmed we will write to the member setting out the benefit options available to them, at least 30 days prior to the date benefits become payable.

# Actuarial Information



# Actuarial Information

## Statement of the Actuary

### IAS26 Report

Pension accounting disclosure as at 31 March 2019

Prepared in accordance with IAS26

The web-link to the Actuary's Report can be found on the pension website at <https://www.yourpension.org.uk/Dorset/Investments-Governance/Strategy-Valuation.aspx> and click on the **actuarial valuation link**.

**Barnett Waddingham LLP - 26 April 2019**

### Introduction

We have been instructed by Dorset 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 2019. We have taken account of current LGPS Regulations, as amended, as at the date of this report.

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 Technical Actuarial Standard 100: Principles for Technical Actuarial Work (TAS 100).

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.

Please note that no allowance has been made for the recent McCloud judgement which relates to age discrimination within the New Judicial Pension Scheme. It is currently unclear how this judgement may affect LGPS members' past or future service benefits. We continue to participate

in discussions with the governing bodies of the LGPS to understand how this may affect mechanisms within the scheme, however, at the time of producing the report no guidance or indication of the likely impact of this ruling has been provided to funds.

### 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 and the results of the 31 March 2018 IAS26 report which was carried out for accounting purposes;
- Estimated whole Fund income and expenditure items for the period to 31 March 2019;
- Estimated Fund returns based on Fund asset statements provided (or estimated where necessary) as at 31 March 2016, 31 March 2018 and 31 March 2019; and

- Details of any new early retirements for the period to 31 March 2019 that have been paid out on an unreduced basis, which are not anticipated in the normal 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. The data has been checked for reasonableness and we are happy that the data is sufficient for the purposes of this advice.

#### Fund membership statistics

The table below summarises the membership data, as at 31 March 2016.

Member data summary	Number	Salaries/ Pensions £000s	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 2019.

We have been notified of 116 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 £986,600.

#### Assets

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2019 is estimated to be 6%. 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 2019 is as follows:

Asset breakdown	31 Mar 2019		31 Mar 2018	
	£000s	%	£000s	%
Equities	1,525,261	50	1,518,319	53
Liability Driven Investment	401,129	13	379,717	13
Cash	11,670	0	53,367	2
Other Bonds	214,353	7	204,505	7
Diversified Growth Fund	176,110	6	173,342	6
Property	384,500	13	295,377	10
Infrastructure	138,741	5	106,545	4
Multi Asset Credit	181,509	6	136,206	5
<b>Total</b>	<b>3,033,273</b>	<b>100</b>	<b>2,867,378</b>	<b>100</b>

We have estimated the bid values where necessary. The final asset allocation of the Fund assets as at 31 March 2019 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.

### **Actuarial methods and assumptions**

#### **Valuation approach**

To assess the value of the Fund's liabilities at 31 March 2019, we have rolled forward the value of 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 2019 without completing a full valuation. However, we are satisfied that the approach of rolling forward the previous valuation data to 31 March 2019 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.

### **Guaranteed Minimum Pension (GMP) Equalisation**

As a result of the High Court's recent Lloyds ruling on the equalisation of GMPs between genders, a number of pension schemes have made adjustments to accounting disclosures to reflect the effect this ruling has on the value of pension liabilities. It is our understanding that HM Treasury have confirmed that the judgement "does not impact on the current method used to achieve equalisation and indexation in public service pension schemes". More information on the current method of equalisation of public service pension schemes can be found here.

On 22 January 2018, the Government published the outcome to its Indexation and equalisation of GMP in public service pension schemes consultation, concluding that the requirement for public service pension schemes to fully price protect the GMP element of individuals' public service pension would be extended to those individuals reaching State Pension Age (SPA) before 6 April 2021. HM Treasury published a Ministerial Direction on 4 December 2018 to implement this outcome, with effect from 6 April 2016. Details of this outcome and the Ministerial Direction can be found here.

Our valuation assumption for GMP is that the Fund 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 the Fund will be required to pay the entire inflationary increase. Therefore we do not believe we need to make any adjustments to the value placed on the liabilities as a result of the above outcome.

### Demographic/Statistical assumptions

The post retirement mortality tables adopted are the S2PA tables with a multiplier of 85%. These base tables are then projected using the CMI 2018 Model, allowing for a long-term rate of improvement of 1.5% p.a.

Although the post retirement mortality tables adopted are consistent with the previous accounting date, the mortality improvement projection has been updated to use the latest version of the Continuous Mortality Investigation's model, CMI\_2018, which was released in March 2019. We have adopted the default smoothing parameter of 7.0 and have not applied an additional initial rate, while continuing to adopt a long term improvement rate of 1.5% p.a. At the last accounting date, the CMI\_2015 Model was adopted. The effect of updating to the most recent model is reflected in the Change in demographic assumptions figure in Appendix 3.

The assumed life expectations from age 65 are:

Life expectancy from age 65 (years)			
		31 Mar 2018	31 Mar 2019
Retiring today	Males	22.9	24.0
	Females	24.8	26.1
Retiring in 20 years	Males	24.6	26.2
	Females	26.6	28.4

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 the Appendices are as follows:

Assumptions as at	31 Mar 2019	31 Mar 2018	31 Mar 2017
	% p.a	% p.a	% p.a
Discount rate	2.40	2.55	2.80
Pension increases	2.40	2.30	2.70
Salary increases	3.90	3.80	4.20

These assumptions are set with reference to market conditions at 31 March 2019. Our estimate of the Fund's past service liability duration is 20 years. An estimate of the Fund's future cashflows is made using notional cashflows based on the estimated duration above. These estimated cashflows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the

spot curve is assumed to be flat beyond the 30 year point). This is consistent with the approach used at the previous accounting date.

Similar to the approach used to derive the discount rate, the Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using the notional cashflows described above. The single inflation rate derived is that which gives the same net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the Bank of England implied inflation curve. As above, the Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30 year point and the BoE implied inflation spot curve is assumed to be flat beyond the 40 year point. This is consistent with the approach used at the previous 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 1.0% p.a. below RPI i.e. 2.4% p.a. 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 previous 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 cost assessed is only in relation to those that affect the pension liabilities in the Fund.

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 116 former employees became entitled to unreduced early retirement benefits.

The capitalised cost of the additional benefits on IAS19 compliant assumptions is calculated at £4,614,000. This figure has been included within the service cost in the statement of profit or loss.

### Results and disclosures

We estimate that the net liability as at 31 March 2019 is a liability of £2,025,459,000.

The results of our calculations for the year ended 31 March 2019 are set out in the appendices below:

- Appendix 1 sets out the Statement of financial position as at 31 March 2019;
- Appendix 2 details a reconciliation of assets and liabilities during the year; and
- Appendix 3 shows a sensitivity analysis on the major assumptions.

The figures presented in this report are prepared only for the purposes of IAS19. In particular, they are not relevant for calculations undertaken for funding purposes or for other statutory purposes under UK pensions legislation.

We would be pleased to answer any questions arising from this report.

Graeme Muir FFA Partner



## Appendix 1 Statement of financial position as at 31 March 2019

\* Present value of funded obligation consists of £4,897,008,000 in respect of vested obligation and £161,724,000 in respect of non-vested obligation.

Net pension asset as at	31 Mar 2019	31 Mar 2018	31 Mar 2017
	£000s	£000s	£000s
Present value of the defined benefit obligation	5,058,732	4,902,826	4,821,680
Fair value of Fund assets (bid value)	3,033,273	2,867,378	2,735,997
<b>Net liability in balance sheet</b>	<b>2,025,459</b>	<b>2,035,448</b>	<b>2,085,683</b>

## Appendix 2 Asset and benefit obligation reconciliation for the year to 31 March 2019

Reconciliation of opening & closing balances of the present value of the defined benefit obligation	Year to 31 Mar 2019	Year to 31 Mar 2018
	£000s	£000s
<b>Opening defined benefit obligation</b>	<b>4,902,826</b>	<b>4,821,680</b>
Current service cost	166,976	171,159
Interest cost	123,923	133,963
Change in financial assumptions	244,872	(148,237)
Change in demographic assumptions	(292,623)	-
Experience loss/(gain) on defined benefit obligation	-	-
Liabilities assumed / (extinguished) on settlements	-	-
Estimated benefits paid net of transfers in	(119,777)	(111,296)
Past service costs, including curtailments	4,614	8,186
Contributions by Scheme participants and other employers	27,921	27,371
Unfunded pension payments	-	-
<b>Closing defined benefit obligation</b>	<b>5,058,732</b>	<b>4,902,826</b>

The total return on the Fund's assets for the year to 31 March 2019 is £165,768,000.

Reconciliation of opening and closing balances of the fair value of Fund assets	Year to 31 Mar 2019	Year to 31 Mar 2018
	£000s	£000s
<b>Opening fair value of Fund assets</b>	<b>2,867,378</b>	<b>2,735,997</b>
Interest on assets	73,149	76,716
Return on assets less interest	92,619	49,217
Other actuarial gains/(losses)	-	-
Administration expenses	(2,307)	(2,307)
Contributions by employer including unfunded	94,290	91,680
Contributions by Scheme participants and other employers	27,921	27,371
Estimated benefits paid plus unfunded net of transfers in	(119,777)	(111,296)
Settlement prices received / (paid)	-	-
<b>Closing Fair value of Fund assets</b>	<b>3,033,273</b>	<b>2,867,378</b>

### Appendix 3 Sensitivity analysis

Sensitivity analysis	£000s	£000s
Present value of total obligation		5,058,732
<b>Sensitivity to</b>	<b>+0.1%</b>	<b>-0.1%</b>
Discount rate	4,961,623	5,157,839
Long term salary increase	5,069,019	5,048,519
Pension increases and deferred revaluation	5,147,455	4,971,742
<b>Sensitivity to</b>	<b>+1 Year</b>	<b>- 1 Year</b>
Life expectancy assumptions	5,246,376	4,878,009

# Governance



# Governance

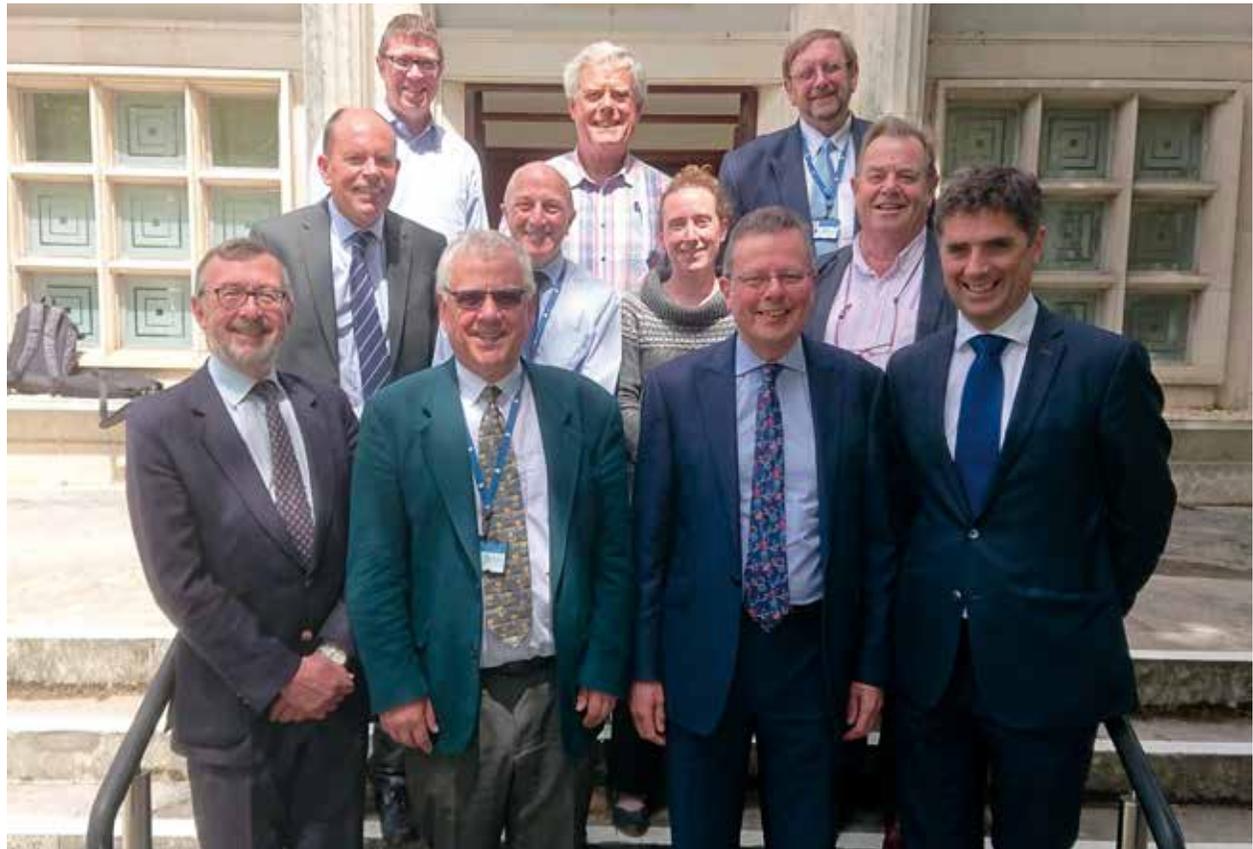
## Pension Fund Committee

The Dorset County Pension Fund Committee Members as at 31 March 2019.

### Dorset County Pension Fund Committee

Committee Member	Representing
John Beesley (Chairman)	Bournemouth Borough Council
Peter Wharf (Vice Chairman)	Dorset County Council
Andrew Turner	Scheme Member Representative
Andy Canning	Dorset County Council
Colin Jamieson	Dorset County Council
John Lofts	Dorset District Councils
Mark Roberts	Dorset County Council
May Haines	Borough of Poole
Spencer Flower	Dorset County Council

The Committee Members at the 20 June 2019 Pension Fund Committee are shown below. Due to Dorset Council elections on 2 May 2019 there are four new Committee Members replacing four existing members.



Back row (left to right): David Brown, Howard Legg, Ray Bryan.  
Middle row (left to right): Andy Canning, Andrew Turner, Felicity Rice, Mark Roberts.  
Front row (left to right): Alan Saunders, Peter Wharf, John Beesley, Aidan Dunn.

### Committee Members Attendance

The table below summarises the meetings which have taken place including attendance by members of the Committee.

Committee Member	21 Jun 2018	17 Sep 2018	22 Nov 2018	27 Feb 2019	Total	Voting rights
Andrew Turner	✓	✓	✓	✓	4	✓
Andy Canning	✓	✓	✓	✓	4	✓
Colin Jamieson	✓	✗	✗	✓	2	✓
John Beesley	✓	✓	✓	✓	4	✓
John Loftis	✓	✓	✓	✓	4	✓
Mark Roberts	✓	✓	✓	✓	4	✓
May Haines	✗	✓	✓	✓	3	✓
Peter Wharf	✓	✗	✓	✗	2	✓
Spencer Flower	✗	✗	✗	✓	1	✓

### Committee Structure

The County Council delegates the management of the Fund to the Pension Committee. A Committee of elected members, five County Councillors, two Councillors representing Bournemouth and Poole Councils, one District Councillor and one voting Scheme Member representative are responsible for making investment policy, overseeing how the scheme is run and monitoring performance. The Committee is supported by an investment management expert who is not involved in the management of the Fund's Assets. The Committee meets on a quarterly basis.

### Committee Responsibilities

The Pension Fund Committee terms of reference are set out below and the Committee is responsible for monitoring all aspects relating to the investment of the assets of the Fund as follows:

- Setting and monitoring performance objectives for the Pension Fund;
- Approval and review of the overall investment strategy of the Pension Fund;
- Approval and review of asset allocation decisions;

- Performance monitoring Investment Managers and investments;
- Appointing (and, when necessary, dismissing) Investment Managers\*;
- Appointing (and, when necessary, dismissing) Investment Consultants;
- Appointing (and, when necessary, dismissing) the Pension Fund Actuary;
- Appointing (and, when necessary, dismissing) the Pension Fund Custodian;
- Setting and approving Administering Authority discretions for the Local Government Pension Scheme;
- Agreeing and monitoring actions to address findings from any review of Pension Fund activities;
- Approval of key policies and statement:
  - Investment Strategy Statement.
  - Funding Strategy Statement.
  - Governance Compliance Statement.
  - Communications Strategy Statement.

\* This had been the responsibility of the Pension Fund Committee but as national pooling of LGPS funds progresses, this responsibility will ultimately transfer to the Brunel Pension Partnership, of which Dorset County Pension Fund is a member. The Pension Fund Committee will still retain control over the asset allocation.

## Accountability and Transparency

Pensions Committee meetings are open to members of the public. Pensions Committee agendas and minutes are published on the Dorset County Council website at <https://moderngov.dorsetcouncil.gov.uk/mgCommitteeDetails.aspx?ID=434>

## Code of Conduct

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

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

- Disclose the interest at the meeting and in the absence of a dispensation to speak and/or vote, withdraw from any consideration of the item.

## Conflicts of Interest

The Pension Fund is governed by elected members acting as trustees and the code of conduct for elected members' sets out how any conflicts of interest should be addressed.

The code includes general provisions on ethics and standards of behaviour which require elected members to treat others with respect and not to bully, intimidate or do anything to compromise the impartiality of those who work for or on behalf of the Council. The Code also contains rules about "disclosable pecuniary interests" and sets out the action an elected member must take when they have such an interest in Council business, for instance withdrawing from the room or chamber when the matter is discussed and decided in committee, unless dispensation has been obtained from the Council's Monitoring Officer.

## The Local Pension Board for the Dorset County Pension Fund

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

The current membership of the Local Pension Board as at 31 March 2019.

### The Local Pension Board Current Membership

Board Member	Representing
Councillor Andrew Cattaway (Chairman)	Employer Representative - Dorset County Council
Paul Kent (Vice-Chairman)	Self-Nominated Retired Scheme Member - Dorset County Council
John Jones	Employer Representative - Dorset Police
Jeff Morley	Scheme Member Representative - Nominated by Unison - Active Scheme Member
Adam Richens	Employer Representative - Bournemouth Borough Council/Borough of Poole
James Stevens	Scheme Member Representative - Active Scheme Member
Jason Vaughan	Employer Representative - Dorset Councils Partnership
Luke White	Employee Representative - Dorset Police

## Chairman Update

The Chairman announced that as he was not standing at the May 2019 elections, he would also be standing down from the Local Pension Board, so the meeting of Wednesday 27 February 2019 was his last as Chairman.

## The Local Board Members Attendance

The table below summarises the meetings which have taken place including attendance by members of the Board.

Pension Board Member	29 Nov 2018	27 Feb 2019	Total
Councillor Andrew Cattaway	✓	✓	2
John Jones	✗	✓	1
Paul Kent	✓	✗	1
Jeff Morley	✓	✓	2
Adam Richens	✓	✓	2
James Stevens	✓	✗	1
Jason Vaughan	✓	✓	2
Luke White	✓	✓	2

## Function of the Local Pension Board

The function of the Local Pension Board as defined by sections 5 (1) and (2) of the Public Service Pensions Act 2013 is to assist the Scheme Manager:

- to secure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS;
- to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator;
- in such other matters as the LGPS regulations may specify.

The Local Pension Board will ensure it complies effectively and efficiently with the code of practice on the governance and administration of local government pension schemes issued by the Pension Regulator.

The Local Pension Board will also help to ensure that the Dorset County Pension Fund (DCPF) is managed and administered effectively and efficiently and complies with the code of practice on the governance and administration of local government pension schemes issued by the Pension Regulator and with due regard to guidance issued by government, The Pensions Regulator and the LGPS Advisory Board.

In accordance with Governance Regulation 106 (6), the Local Pension Board has the power to do anything which is calculated to facilitate, or is conducive to, the discharge of any of its functions.

Assisting the Scheme Manager is interpreted as helping the Scheme Manager, including doing work requested by the Scheme Manager. However, the Local Pension Board does not replace the Scheme Manager nor make decisions which are the responsibility of the Scheme Manager.

The remit of the Local Pension Board is interpreted as covering all aspects of governance and administration of the DCPF, including funding and investments. For the avoidance of doubt, this does not extend to the operational investment of the Fund's assets.

The Local Pension Board is entitled to request information from the Scheme Manager in order to carry out its function.

### **Membership of the Local Pension Board**

The Local Pension Board shall consist of six members and be constituted as follows:

- three employer representatives; and
- three scheme member representatives.

Scheme employer and member representatives shall be appointed in equal number, with a minimum of four in total, and shall together form the majority of the Local Pension Board's membership.

Scheme employer representatives shall comprise of Dorset Council and the two Unitary Authorities, as the top tier authorities in Dorset, and the 3 largest employers in the Fund, representing around 70% of the scheme membership. One member will be nominated by Dorset County Council, one by Bournemouth Borough Council and one nominated by Borough of Poole.

Scheme member representatives shall include at least one member nominated by the Unions, with Unison as lead union.

No officer or elected member of the administering authority (Dorset Council) who is responsible for the discharge of any function under the Local Government Pension Scheme regulations may be a member of the Local Pension Board. This is a specific requirement of the regulations.

As part of the process for selecting members of the Local Pension Board, Dorset County Council, via the Standards and Governance Committee, will be

asked to nominate their member, and DCPF will contact:

- Bournemouth and Poole councils to seek their nominations;
- Unison, as lead union, to nominate member representatives;
- all Scheme members to canvass interest. Active, pensioner and deferred pensioner members will be eligible to stand as scheme member representatives.

### **The Pension Board is responsible for:**

- Scrutinising the progress of actions to meet the performance objectives of the Pension Fund;
- Reviewing and monitoring the training plan of the Pensions Board and elected members and officers with delegated responsibilities for the management and administration of the Pension Fund;
- Reviewing and monitoring the performance of external business partners, including the pensions administration service, the actuary, the custodian and the investment consultant;
- Reviewing and monitoring the Risk Register and risk monitoring of scheme employers;

- Reviewing the implementation of revised policies and procedures, including the administering discretions;
- Reviewing the compliance of projects commissioned by the Pension Fund Committee, including the Triennial Valuation of the Pension Fund;
- Ensuring pension rules and regulations are being complied with, when officers are making decisions on pension matters;
- Scrutinising data quality;
- Reviewing internal audit reports;
- Assisting in the development of improved customer services;
- Reviewing compliance of Investment Managers with Investment Management Agreements; and
- Reviewing progress of agreed actions to address finding from any review of the Pension Fund activities.

### **Accountability and Transparency**

Pension Board agendas, minutes and additional reports are published on the Dorset County Pension Fund website at <https://www.yourpension.org.uk/Dorset/Investments-Governance/Local-Pension-Board/Agenda-and-Minutes.aspx>

# Pension Fund Accounts



# Pension Fund Accounts

## Independent Auditor's Statement to the Members of the Dorset County Pension Fund Committee on the Pension Fund Financial Statements

We have examined the pension fund financial statements for the year ended 31 March 2019, which comprise the Fund Account, the Net Assets Statement and the related notes 1 to 22.

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

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the pension fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to you my opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of Dorset County Council, and its compliance with

applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

We also read the other information contained in the pension fund annual report and consider the implications for my report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements. The other information consists only [insert information included in the pension fund annual report as applicable].

We conducted my work in accordance with Auditor Guidance Note 07 – Auditor Reporting, issued by the National Audit Office. Our report on the administering authority's full annual statement of accounts describes the basis of our opinion[s] on those financial statements.

### Opinion

In our opinion, the pension fund financial statements are consistent with the full annual statement of accounts of Dorset County Council for the year ended 31 March 2019 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/9.

We have not considered the effects of any events between the date we signed our report on the full annual statement of accounts ([insert date]) and the date of this statement.

### [Signature]

Ian Howse (Appointed auditor)  
For and on behalf of Deloitte LLP  
Cardiff, UK

### [Date]

## Fund Accounts

### Pension Fund Account for the Year Ended 31 March 2019

The Pension Fund Accounts contain two core statements, the Pension Fund Account and the Net Assets Statement. Each of the statements is accompanied by supplementary notes providing additional detail to the figures presented.

2017-18		Fund Account		2018-19	
£'000	£'000	Note	£'000	£'000	
<b>Dealings with members, employers and others directly involved in the Fund</b>					
	<b>119,537</b>	<b>Contributions</b>	7		<b>122,212</b>
92,166		Employer contributions		94,290	
27,371		Member contributions		27,922	
	<b>8,615</b>	<b>Transfers in from other pension funds</b>	8		<b>5,938</b>
	<b>128,152</b>	<b>Total additions from dealing with members etc</b>			<b>128,150</b>
	<b>(113,223)</b>	<b>Benefits</b>	9		<b>(120,112)</b>
(92,186)		Pensions		(98,737)	
(18,989)		Commutations and retirement grants		(17,771)	
(2,048)		Death benefits		(3,604)	
	<b>(6,688)</b>	<b>Payments to and on account of leavers</b>			<b>(5,700)</b>
(340)		Refunds of contributions		(296)	
(111)		State scheme premiums		-	
(6,237)		Transfers to other pension funds		(5,404)	
	<b>8,241</b>	<b>Net additions/(withdrawals) from dealings with members and others</b>			<b>2,338</b>
	<b>(13,654)</b>	<b>Management expenses</b>	10		<b>(14,345)</b>
	<b>(5,413)</b>	<b>Net additions/(withdrawals) including Fund management expenses</b>			<b>(12,007)</b>
	<b>48,919</b>	<b>Investment Income</b>	11		<b>30,533</b>
37,265		Dividends from equities		18,693	
10,908		Rents from properties		10,439	
942		Income from property funds		1,109	
134		Interest on cash deposits		481	
184		Other investment income		71	
(514)		Taxes on income		(260)	
	<b>88,715</b>	<b>Profit/(loss) on disposal of investments and changes in the value of investments</b>			<b>143,208</b>
	<b>137,634</b>	<b>Net return on investments</b>			<b>173,741</b>
	<b>132,221</b>	<b>Net increase/(decrease) in assets available for benefits during the year</b>			<b>161,734</b>
	<b>2,735,997</b>	<b>Opening net assets of the fund 1 April</b>			<b>2,868,218</b>
	<b>2,868,218</b>	<b>Closing net assets of the fund 31 March</b>			<b>3,029,952</b>

Net Assets Statement				
31 March 2018			31 March 2019	
£'000	£'000	Note	£'000	£'000
	<b>840</b>	<b>Long term investments</b>		<b>395</b>
840		Brunel Pension Partnership Ltd	395	
	<b>2,860,059</b>	<b>Investment assets</b>		<b>3,025,386</b>
448,550		UK equities (quoted)	29,469	
644,160		Overseas equities (quoted)	421,913	
1,388,985		Pooled investment vehicles	2,104,713	
76,486		Private equity	80,275	
255,830		Property	281,480	
39,995		Cash & cash equivalents	103,022	
920		Derivative contracts	733	
5,133		Other investment assets	3,781	
	<b>(3,778)</b>	<b>Investment liabilities</b>		<b>(1,686)</b>
(3,778)		Other investment liabilities	(1,686)	
	<b>2,857,121</b>	<b>Total net investments</b>		<b>3,024,095</b>
	<b>2,895</b>	<b>Long term debtors</b>		<b>1,930</b>
2,895		Other long term debtors	1,930	
	<b>12,249</b>	<b>Current assets</b>		<b>12,911</b>
7,554		Contributions due from employers	8,689	
4,695		Other current assets	4,222	
	<b>(4,047)</b>	<b>Current liabilities</b>		<b>(8,984)</b>
(229)		Unpaid benefits	(534)	
(3,818)		Other current liabilities	(8,330)	
-		Deferred income	(120)	
	<b>2,868,218</b>	<b>Net assets available to fund benefits</b>		<b>3,029,952</b>

## Notes to the Accounts

### Note 1. Description of the Fund

The Dorset County Pension Fund ("the Fund") is part of the Local Government Pension Scheme (LGPS) and was administered by Dorset County Council ("the Council") up to 31 March 2019. Following reorganisation of local government in Dorset, Dorset Council became the administering authority for the Fund from 1 April 2019.

#### a) General

The scheme is governed by the Public Service Pensions Act 2013. The fund is administered in accordance with the following secondary legislation:

- the Local Government Pension Scheme Regulations 2013 (as amended)
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

It is a contributory defined benefit pension scheme administered by the Council to provide pensions and other benefits for pensionable employees of the Council,

other councils and a range of other scheduled and admitted bodies within the county area. Teachers, police officers and firefighters are not included as they come within other national pension schemes. The fund is overseen by the Dorset County Pension Fund Committee, which is a committee of the Council.

#### b) Membership

Membership of the LGPS is voluntary and employees are free to choose whether to join the scheme, remain in the scheme or make their own personal arrangements outside the scheme.

Organisations participating in the Fund include the following:

- **Scheduled bodies**, which are automatically entitled to be members of the Fund.
- **Admitted bodies**, which participate in the fund under the terms of an admission agreement between the Fund and the employer. Admitted bodies include voluntary, charitable and similar not-for-profit organisations, or private contractors undertaking a local authority function following outsourcing to the private sector.

Membership details are set out below:

31 March 2018		31 March 2019	
<b>291</b>	<b>Total Employers</b>		<b>297</b>
<b>Employees</b>			
6,872	Administering Authority		6,488
18,426	Other Scheduled Bodies		18,052
573	Admitted Bodies		528
<b>25,871</b>	<b>Total Employees</b>		<b>25,068</b>
<b>Pensioners</b>			
8,319	Administering Authority		8,639
11,608	Other Scheduled Bodies		12,155
1,290	Admitted Bodies		1,341
<b>21,217</b>	<b>Total Pensioners</b>		<b>22,135</b>
<b>Deferred Pensioners</b>			
8,950	Administering Authority		8,950
13,644	Other Scheduled Bodies		13,746
1,269	Admitted Bodies		1,234
<b>23,863</b>	<b>Total Deferred Pensioners</b>		<b>23,930</b>
2,218	'Undecided' members		4,105
<b>73,169</b>	<b>Total Members</b>		<b>75,238</b>

### c) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the Local Government Pension Scheme Regulations 2013 and ranged from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2019. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2016. Currently, employer contribution rates range from 9.5% to 26.6% of pensionable pay.

### d) Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based on final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is updated annually in line with the Consumer Prices Index. A range of other benefits are also provided including early retirement, disability pensions and death benefits.

### Note 2. Basis of Preparation

The statement of accounts summarise the Fund's transactions for the 2018-19 financial year and its financial position at 31 March 2019. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018-19 ("the Code"), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2018-19.

The accounts report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year nor do they take into account the actuarial present value of promised retirement benefits. The Code gives administering authorities the option to disclose this information in the net assets statement, in the notes to the accounts or by appending an actuarial report prepared for this purpose. The Fund has opted to disclose this information by appending an actuarial report.

The accounts have been prepared on a going concern basis.

### Note 3. Summary of Significant Accounting Policies

#### Fund Account:

#### Contribution income

Normal contributions are accounted for on an accruals basis as follows:

*Employee contribution rates* are set in accordance with LGPS regulations, using common percentage rates for all schemes which rise according to pensionable pay.

*Employer contributions* are set at the percentage rate recommended by the fund actuary for the period to which they relate.

*Employer deficit funding contributions* are accounted for on the basis advised by the fund actuary in the rates and adjustment certificate issued to the relevant employing body. Additional employers' contributions in respect of ill- health and early retirements are accounted for in the year the event arose. Any amount due in the year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long term financial assets.

### **Transfers to and from other schemes**

Transfers in and out relate to members who have either joined or left the Fund.

Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions (see below) to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In (Note 8).

Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

### **Investment income**

Interest income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Distributions from pooled funds are recognised at the date of issue. Any amount

not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Property-related income consists primarily of rental income. Rental income from operating leases on properties owned by the Fund is recognised on a straight-line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.

Changes in the value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

### **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 current liabilities, providing that payment has been approved.

### **Taxation**

The Fund is a registered public service scheme under Section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as a fund expense as it arises.

### **Management expenses**

The Fund discloses its pension fund management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses (2016). All items of expenditure are charged to the Fund on an accruals basis.

### **Net Assets Statement:**

#### **Financial assets**

All investment assets are included in the financial statements on a fair value basis as at the reporting date. A financial asset is recognised in the net assets statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see Note 16). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

#### **Freehold and leasehold properties**

Properties are valued annually as at the year-end date by independent external valuers on a fair value basis and in accordance with the Royal Institute of Chartered Surveyors' (RICS) Valuation Standards. See Note 16 for more details.

#### **Foreign currency transactions**

Dividends, interest and purchases and sales of investments in foreign currencies have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates are used to value cash balances held in foreign currency bank accounts, overseas investments and purchases and sales outstanding at the end of the reporting period.

#### **Derivatives**

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment

activities. The Fund does not hold derivatives for speculative purposes.

#### **Cash and cash equivalents**

Cash comprises cash in hand and demand deposits and includes amounts held by the Fund's external managers.

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

#### **Loans and receivables**

Financial assets classed as amortised cost are carried in the net asset statement at amortised cost, ie the outstanding principal receivable as at the year-end date plus accrued interest.

#### **Financial liabilities**

A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. The Fund recognises financial liabilities relating to investment trading at fair value as at the reporting date, and any gains or losses arising from changes in the fair value of the liability between contract date, the year-end date and the eventual settlement date are recognised in the fund account as part of the change in value of investments.

Other financial liabilities classed as amortised cost are carried at amortised cost ie the amount carried in the net asset statement is the outstanding principal repayable plus accrued interest. Any interest charged is accounted for on an accruals basis and included in administration costs.

#### **Actuarial present value of promised retirement benefits**

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of International Accounting Standard (IAS) 19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of an actuarial report appended to the accounts.

#### **Additional voluntary contributions**

The Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. AVCs are not included in the accounts in accordance with Section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of funds) Regulations 2016 but are disclosed for information in Note 20.

## **Contingent assets and contingent liabilities**

A contingent asset arises where an event has taken place giving rise to a possible asset whose existence will only be confirmed or otherwise by the occurrence of future events.

A contingent liability arises where an event has taken place prior to the year-end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities can also arise in circumstances where a provision would be made, except that it is not possible at the balance sheet date to measure the value of the financial obligation reliably.

Contingent assets and liabilities are not recognised in the net asset statement but are disclosed by way of narrative in the notes (see Note 22).

### **Note 4. Critical judgements in applying accounting policies**

#### **Pension fund liability**

The net Fund liability is re-calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in 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 18. Actuarial re-valuations are used to set future contribution rates and underpin the Fund's most significant investment management policies, for example in terms of the balance struck between longer term investment growth and short-term yield/return.

#### **Directly held property**

The Fund's property portfolio includes a number of directly owned properties which are leased commercially to various tenants. The Fund has determined that these contracts all constitute operating lease arrangements under the classifications permitted by IAS 7 and the Code, therefore the properties are retained on the net asset statement at fair value.

#### **Note 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 reported amounts. Estimates and assumptions take account of historical experience, current trends

and future expectations, however actual outcomes could be different from the assumptions and estimates made. The items in the net asset statement for which there is a significant risk of material adjustment the following year are as follows:

#### **Actuarial present value of promised retirement benefits (Note 19)**

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.

#### **Private equity investments (Note 16)**

Private equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012). Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.

#### **Freehold, leasehold property and pooled property funds (Note 16)**

Valuation techniques are used to determine the carrying amount of pooled

property funds and directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data but where this is not possible management uses the best available data.

#### Note 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. There are events that provide additional information about conditions that existed at the end of the reporting period (adjusting events), and events that occur after the reporting period (non-adjusting events).

#### Brexit

On 10 April 2019 European Union (EU) leaders agreed to an extension of article 50, which may delay the date the UK will exit the EU until 31 October 2019. The terms of a final exit agreement are still to be agreed, but it is expected that this will have short and long term implications for the Fund's assets and liabilities.

#### Note 7. Contributions receivable

##### By category:

2017-18		2018-19
£'000	Employer contributions	£'000
66,550	Contributions re future service costs	68,282
18,771	Contributions re past service costs (deficit recovery)	22,325
76	Voluntary additional contributions	101
3,562	Augmentation cost of early retirements	3,575
3,207	Exit payments from employers	-
-	Exit credits to employers	7
<b>92,166</b>	<b>Total employer contributions</b>	<b>94,290</b>
<b>27,371</b>	<b>Member contributions</b>	<b>27,922</b>
<b>119,537</b>	<b>Total contributions receivable</b>	<b>122,212</b>

##### By type of employer:

2017-18		2018-19
£'000		£'000
32,547	Administering authority	35,391
79,464	Other scheduled bodies	83,016
7,526	Admitted bodies	3,805
<b>119,537</b>	<b>Total contributions receivable</b>	<b>122,212</b>

#### Note 8. Transfers in from other pension funds

All transfers in from other pension funds were individual transfers, there were no group transfers to the Fund in 2018-19.

#### Note 9. Benefits payable

##### By type of employer:

2017-18		2018-19
£'000		£'000
37,408	Administering authority	40,151
67,824	Other scheduled bodies	72,131
7,991	Admitted bodies	7,830
<b>113,223</b>	<b>Total benefits payable</b>	<b>120,112</b>

#### Note 10. Management expenses

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

2017-18		2018-19
£'000		£'000
1,775	Administrative expenses	1,745
532	Oversight and governance costs	609
11,347	Investment management expenses	11,991
<b>13,654</b>	<b>Total management expenses</b>	<b>14,345</b>

Investment management expenses consisted of:

2017-18		2018-19
£'000		£'000
9,306	Investment management fees	10,002
442	Performance related fees	282
218	Custody fees	123
440	Transaction costs	771
941	Other fees and costs	813
<b>11,347</b>	<b>Total investment management expenses</b>	<b>11,991</b>

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.

#### Note 11. Investment income

Rents from properties are shown net of operating expenses of £1,152k in 2018-19 (£734k in 2017-18).

The Fund lends 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 £71k. The value of stock on loan as at 31 March 2019 was £13.5M secured by total collateral worth £14.4M.

#### Note 12. Long term investments

In response to the requirements of the investment regulations for LGPS funds to pool investment assets, Brunel Pension Partnership Ltd (Brunel) has been formed to oversee the investment assets for the Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset, and Wiltshire LGPS funds.

Each of the ten funds own an equal share of Brunel, with share capital invested by each fund at a cost of £840k. The Fund's shareholding in Brunel was valued at cost at 31 March 2018. The value of each fund's shareholding based on Brunel's most recently audited accounts was £395k, and the value of the Fund's shareholding has been impaired (adjusted downwards) to reflect this.

### Note 13. Investments

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

31 March 2018			31 March 2019	
%	£'000		£'000	%
<b>Portfolio / Manager / Pooled Vehicle</b>				
<b>0.00</b>	<b>840</b>	<b>Long Term Investments</b>	<b>395</b>	<b>0.00</b>
	840	Brunel Pensions Partnership	395	
<b>15.70</b>	<b>448,550</b>	<b>UK Equities - Quoted</b>	<b>29,469</b>	<b>1.00</b>
	401,402	Dorset County Council	-	
	16,771	Allianz	-	
	14,586	Investec	14,932	
	15,791	Wellington	14,537	
<b>22.50</b>	<b>644,160</b>	<b>Overseas Equities - Quoted</b>	<b>421,913</b>	<b>14.00</b>
	265,107	Allianz	-	
	181,341	Investec	200,402	
	197,712	Wellington	221,511	
<b>2.70</b>	<b>76,486</b>	<b>Private Equity</b>	<b>80,275</b>	<b>2.70</b>
	41,438	HarbourVest	46,925	
	35,048	Aberdeen Standard	32,091	
	-	Capital Dynamics Global Secondary Fund V	1,259	
<b>9.00</b>	<b>255,830</b>	<b>Property (directly owned)</b>	<b>281,480</b>	<b>9.30</b>
	255,830	CBRE Global Investors	281,480	
<b>Pooled Investment Vehicles</b>				
<b>7.20</b>	<b>204,504</b>	<b>Bonds</b>	<b>214,353</b>	<b>7.10</b>
	204,504	RLAM / Unit Linked Inv Fund - Life Policy	214,353	
<b>8.60</b>	<b>245,842</b>	<b>UK Equities - Quoted</b>	<b>613,642</b>	<b>20.20</b>
	190,746	AXA Framlington / Unit Trust	-	
	55,096	Schroders / Unit Trust	52,033	
	-	LGIM (passive UK)	374,013	
	-	Brunel (active UK)	187,596	
<b>3.60</b>	<b>103,281</b>	<b>Overseas Equities - Quoted</b>	<b>379,228</b>	<b>12.50</b>
	103,281	JP Morgan / Unit Trust	98,177	
	-	LGIM (passive smart beta)	281,051	
<b>4.80</b>	<b>136,206</b>	<b>Multi Asset Credit (MAC)</b>	<b>139,717</b>	<b>4.60</b>
	136,206	CQS	139,717	

31 March 2018 Market Value			31 March 2019 Market Value	
%	£'000	Potfolio/Manager/Pooled Vehicle	£'000	%
<b>1.40</b>	<b>39,547</b>	<b>Property</b>	<b>41,792</b>	<b>1.40</b>
	8,897	Lend Lease Retail Partnership	8,255	
	14,577	Standard Life UK Shopping Centre Trust	13,415	
	16,073	UK Long Income Property Fund	17,183	
	-	Aberdeen Standard Long Lease Property Fund	2,939	
<b>6.10</b>	<b>173,342</b>	<b>Diversified Growth Funds</b>	<b>176,110</b>	<b>5.80</b>
	173,342	Barings Asset Management / Non UCITS (PIF)	176,110	
<b>3.70</b>	<b>106,545</b>	<b>Infrastructure</b>	<b>138,742</b>	<b>4.60</b>
	32,964	Hermes GPE / Infrastructure Fund	51,897	
	73,581	IFM / Global Infrastructure Fund	86,845	
<b>13.30</b>	<b>379,718</b>	<b>Liability Driven Investment</b>	<b>401,129</b>	<b>13.30</b>
	379,718	Insight / LDI Active 16 Fund	401,129	
<b>48.70</b>	<b>1,388,985</b>	<b>Total - Pooled Investments</b>	<b>2,104,713</b>	<b>69.50</b>
<b>1.40</b>	<b>39,995</b>	<b>Cash &amp; Cash Equivalents</b>	<b>103,022</b>	<b>3.40</b>
<b>0.00</b>	<b>920</b>	<b>Derivatives</b>	<b>733</b>	<b>0.00</b>
<b>0.00</b>	<b>1,355</b>	<b>Investment Receivables/(Payables)</b>	<b>2,095</b>	<b>0.10</b>
<b>100.00</b>	<b>2,857,121</b>	<b>Total Investments</b>	<b>3,024,095</b>	<b>100.00</b>

#### Note 14. 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 2018	Purch's & Derivative payments	Sales & Derivative receipts	Change in market value	Value 31 March 2019
	£'000	£'000	£'000	£'000	£'000
Equities - Unquoted	840	-	-	(445)	395
Equities - Quoted	1,092,710	361,201	(1,093,014)	90,485	451,382
Pooled Investment Vehicles	1,388,985	1,343,933	(685,171)	56,966	2,104,713
Private Equity	76,486	40,297	(53,046)	16,538	80,275
Property	255,830	23,622	(1,387)	3,415	281,480
<b>Total Securities</b>	<b>2,814,851</b>	<b>1,769,053</b>	<b>(1,832,618)</b>	<b>166,959</b>	<b>2,918,245</b>
Forward Foreign Exchange	920	29,532	(5,968)	(23,751)	733
<b>Total Securities and Derivatives</b>	<b>2,815,771</b>	<b>1,798,585</b>	<b>(1,838,586)</b>	<b>143,208</b>	<b>2,918,978</b>
<b>Other Investment Balances:</b>					
Cash & cash equivalents	39,995	-	-	-	<b>103,022</b>
Other investment assets	5,133	-	-	-	<b>3,781</b>
Other investment liabilities	(3,778)	-	-	-	(1,686)
<b>Net Investment Assets</b>	<b>2,857,121</b>	<b>1,798,585</b>	<b>(1,838,586)</b>	<b>143,208</b>	<b>3,024,095</b>

#### Note 15. Analysis of derivatives

The Fund's holdings in derivatives are to hedge liabilities or exposures to reduce risk. To maintain appropriate diversification a significant proportion of the Fund's equity portfolio is in overseas stock. To reduce the volatility associated with fluctuating currency rates, the Fund hedges 50% of the US Dollar, Euro and Japanese Yen exposure within the portfolios managed by the Fund's global equities managers, Investec Asset Management and Wellington Management. As at 31 March 2019, the Fund held the following open forward currency contracts.

Settlement	Currency Bought	Local Value	Currency Sold	Local Value	Asset Value	Liability Value
		000s		000s	£'000	£'000
1-6 months	GBP	22,143	EUR	25,461	144	-
	GBP	153,122	USD	199,519	596	-
	JPY	40,938	GBP	284	-	-
	GBP	13,455	JPY	1,937,315	-	(7)
<b>Open Forward Currency Contracts at 31 March 2019</b>					<b>740</b>	<b>(7)</b>
<b>Net Forward Currency Contracts at 31 March 2019</b>						<b>733</b>

### Note 16. Fair value of investment assets

All investment 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 2019 and at 31 March 2018 measured at fair value according to the above fair value hierarchy.

31 March 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
UK Equities - Quoted	29,469	-	-	29,469
Overseas equities - Quoted	421,913	-	-	421,913
Pooled Investment Vehicles	-	1,927,120	177,593	2,104,713
Private Equity	-	-	80,275	80,275
Property	-	-	281,480	281,480
Cash & Cash Equivalents	103,022	-	-	103,022
Derivatives	733	-	-	733
Other investment assets	3,781	-	-	3,781
<b>Total</b>	<b>558,918</b>	<b>1,927,120</b>	<b>539,348</b>	<b>3,025,386</b>

31 March 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
UK Equities - Quoted	448,550	-	-	448,550
Overseas equities - Quoted	644,160	-	-	644,160
Pooled Investment Vehicles	-	1,242,893	146,092	1,388,985
Private Equity	-	-	76,486	76,486
Property	-	-	255,830	255,830
Cash & Cash Equivalents	39,995	-	-	39,995
Derivatives	920	-	-	920
Other investment assets	5,133	-	-	5,133
<b>Total</b>	<b>1,138,758</b>	<b>1,242,893</b>	<b>478,408</b>	<b>2,860,059</b>

During the year ended 31 March 2019 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
<b>Level 1:</b>			
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.
<b>Level 2:</b>			
Pooled investments - unit trusts etc.	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.
<b>Level 3:</b>			
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.
Description of Asset	Basis of Valuation	Key Inputs	Key Sensitivities
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.
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.

## Note 17. 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 2019	Value £'000	Change %	Increase £'000	Decrease £'000
UK equities - quoted	29,469	15.00	4,420	(4,420)
Overseas equities - quoted	421,913	15.00	63,287	(63,287)
Pooled Investment Vehicles	2,104,713	15.00	315,707	(315,707)
Private Equity	80,275	15.00	12,041	(12,041)
Property	281,480	15.00	42,222	(42,222)
Cash & cash equivalents	103,022	0.00	-	-
Derivatives	733	15.00	110	(110)
Other investment assets	3,781	0.00	-	-
<b>Total</b>	<b>3,025,386</b>	<b>14.47</b>	<b>437,787</b>	<b>(437,787)</b>

As at 31 March 2018	Value £'000	Change %	Increase £'000	Decrease £'000
UK equities - Quoted	448,550	15.00	67,283	(67,283)
Overseas equities - Quoted	644,160	15.00	96,624	(96,624)
Pooled Investment Vehicles	1,388,985	15.00	208,348	(208,348)
Private Equity	76,486	15.00	11,473	(11,473)
Property	255,830	15.00	38,375	(38,375)
Cash & cash equivalents	39,995	0.00	-	-
Derivatives	920	15.00	138	(138)
Other investment assets	5,133	0.00	-	-
<b>Total</b>	<b>2,860,059</b>	<b>14.76</b>	<b>422,241</b>	<b>(422,241)</b>

#### (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 2019 and 2018 are provided opposite, based on underlying financial assets at fair value.

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 2018.

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 opposite.

As at 31 March 2019	Market Value £'000	Change in net assets	
		+1% £'000	-1% £'000
Cash & cash equivalents	103,022	1,030	(1,030)
Assets held in pooled investment vehicles			
Bonds	214,353	2,144	(2,144)
Multi Asset Credit (MAC)	139,717	1,397	(1,397)
Liability Driven Investment (LDI)	401,129	4,011	(4,011)
<b>Total</b>	<b>858,221</b>	<b>8,582</b>	<b>(8,582)</b>

As at 31 March 2018	Market Value £'000	Change in net assets	
		+1% £'000	-1% £'000
Cash & cash equivalents	39,995	400	(400)
Assets held in pooled investment vehicles:			
Bonds	204,504	2,045	(2,045)
Multi Asset Credit (MAC)	136,206	1,362	(1,362)
Liability Driven Investment (LDI)	379,718	3,797	(3,797)
<b>Total</b>	<b>760,423</b>	<b>7,604</b>	<b>(7,604)</b>

### (a) (iii) Currency Risk

Currency risk represents the risk that future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any cash balances and investment assets that are not denominated in UK sterling.

To mitigate the effect 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, and 50% of its holdings in the LGIM Smart Beta fund are in hedged units.

Following analysis of historical data, the Fund considers the likely volatility associated with foreign exchange rates to be +/- 10% in total. The following summarises the Fund's exposure to currency exchange rate movements on its investments net of these hedges.

As at 31 March 2019	Total Exposure £'000	Unhedged Exposure £'000	Potential Movement £'000
Overseas equities - quoted	421,913	210,957	21,096
Pooled Investment Vehicles	781,900	641,375	64,137
Private Equity	80,275	80,275	8,028
<b>Total</b>	<b>1,284,088</b>	<b>932,606</b>	<b>93,261</b>

As at 31 March 2018	Total Exposure £'000	Unhedged Exposure £'000	Potential Movement £'000
Overseas equities - quoted	644,160	322,080	32,208
Pooled Investment Vehicles	486,410	486,410	48,641
Private Equity	76,486	76,486	7,649
<b>Total</b>	<b>1,207,056</b>	<b>884,976</b>	<b>88,498</b>

### (b) Credit Risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause the Pension Fund to incur a financial loss. 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 through the failure to settle transactions in a timely manner. The Fund's exposure to concentrations of credit risk to individual counterparties comprises of temporary investments and bonds held in pooled investment vehicles. The contractual credit risk is represented by the net payment or receipt that remains outstanding.

Deposits are not made with banks and financial institutions unless they 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 2019 is the carrying amount of the financial assets.

Investment	31 March	31 March
	2019	2018
	£'000	£'000
Bank Account Deposits	44,572	2,895
Money Market Funds	58,450	37,100
Assets held in pooled investment vehicles:		
Bonds	214,353	204,504
Multi Asset Credit (MAC)	139,717	136,206
Liability Driven Investment (LDI)	401,129	379,718
<b>Total</b>	<b>858,221</b>	<b>760,423</b>

### (c) Liquidity Risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. Such risks are mitigated by maintaining a detailed cashflow model and taking appropriate steps to ensure that there is adequate cost 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 2019, liquid assets were £2,486M representing 82% of total net assets (£2,381M at 31 March 2018 representing 83% of total net assets at that date).

### Note 18. 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 2019 were set at the latest valuation calculated as at 31 March 2016. 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%
<b>Total employer contributions</b>	<b>20.00%</b>	<b>20.70%</b>	<b>21.40%</b>

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 was 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	Valuation 2013
Annual rate of return on investments	5.40%	6.00%
Annual rate of increases in pay (long term)	3.90%	4.20%
Annual rate of increases in pay (short term)	2.40%	2.70%
Annual rate of increases to pensions in payment	2.40%	2.70%

### **Note 19. 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 2019 is set out in Appendix D Pension Fund - IAS 26 Disclosures to these financial statements 2018-19.

### **Note 20. 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 £352k in 2018-19 (£321k in 2017-18).

### **Note 21. Related party transactions**

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 2019 contributions of £2.6M were accrued as at 31 March 2019. Management and administration costs of £1.9M were incurred by the Council and recharged to the Fund in 2018-19. 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 2019, one member of the Committee was a contributing member 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 £1.9M recharge from the Council includes a charge of £19,000 for the Fund Administrator's time spent working for the Fund.

### **Note 22. Contingent assets, liabilities and contractual commitments**

#### **Recovery of withholding tax**

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 2019 do not reflect any potential recovery of tax.

### **Impact of the McCloud and Sargeant judgements**

The Local Government Pension Scheme (LGPS) introduced a new Career Average Revalued Earnings (CARE) benefit structure with effect from 1 April 2014. For members who were 10 years or less from Normal Retirement Age on 1 April 2012, an 'underpin' was provided based on the existing final salary scheme to provide transitional protection to those members.

In December 2018, the Court of Appeal found that transitional protections in the pension schemes for firefighters ("McCloud") and the judiciary ("Sargeant") resulted in unlawful age discrimination. The implications of the ruling are therefore expected to apply to all public sector schemes including the LGPS. The Government sought permission to appeal this decision to the Supreme Court but that permission was denied on 27 June 2019. There remains, however, considerable uncertainty about the eventual remedy that may be put in place for the LGPS.

The Government Actuary's Department's (GAD) has estimated the potential impact to be between 0.1% and 3.2% of total LGPS active member liabilities, depending on a number of assumptions. Whilst this looks at the national picture, the impact on any

given fund and its scheme employers could be significantly different. The Fund's actuary has therefore calculated the estimated impact on liabilities for the main employers in the Fund based on the assumptions used by GAD. These results range from 0.4% to 0.8% of total liabilities for each employer.

# Asset Pools



# Asset Pools

## Background

In 2015 the Department of Communities and Local Government (as it then was) issued LGPS: Investment Reform Criteria and Guidance which set out how the government expected funds to establish asset pooling arrangements. The objective was to deliver:

- Benefits of scale;
- Strong governance and decision making;
- Reduced costs and excellent value for money, and;
- An improved capacity and capability to invest in infrastructure.

This has led to the creation of eight asset pools which have significantly changed the previous approach to investing, although it should be stressed that the responsibility for determining asset allocations and the investment strategy remains with individual pension funds.

As a result of the investment pooling agenda, the Dorset Fund joined with nine other LGPS administering authorities (Avon, Buckinghamshire, Cornwall, Devon,

Environmental Agency, Gloucestershire, Oxfordshire, Somerset and Wiltshire) to form the Brunel Pension Partnership.

### In summary:

- Brunel has ten shareholders, each with a ten percent share in the business;
- Brunel's shareholders are Brunel's client funds;
- Brunel is one of eight national Local Government Pension Scheme (LGPS) pools in England and Wales.

Dorset County Council approved the business case for Brunel in January 2017, based on estimated potential fee savings of £550 million over a 20 year period across the ten funds, of which Dorset's share was £74 million. The project would see initial costs, but in Dorset's case was expected to break even by 2021-22.

The expected costs and savings for Dorset, as per the original business case approved in January 2017, and then submitted to Government, are set out in the following table.

**Table 1: Expected Costs and Savings from Pooling (as per Business Case)**

	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	2026-2036	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Set up costs	117	1,066	-	-	-	-	-	-	-	-	-	1,183
Ongoing Brunel Costs	-	-	487	637	657	679	701	724	747	772	9,247	14,650
Dorset Fund Savings	-	-	(125)	(129)	(133)	(137)	(141)	(145)	(149)	(154)	(1,818)	(2,931)
Transition costs	-	-	1,283	1,896	123	-	-	-	-	-	-	3,301
Fee savings	-	-	(59)	(1,499)	(2,562)	(2,986)	(3,453)	(3,953)	(4,232)	(4,527)	(66,788)	(90,058)
<b>Net costs / (savings)</b>	<b>117</b>	<b>1,066</b>	<b>1,586</b>	<b>905</b>	<b>(1,915)</b>	<b>(2,444)</b>	<b>(2,893)</b>	<b>(3,374)</b>	<b>(3,634)</b>	<b>(3,909)</b>	<b>(59,359)</b>	<b>(73,855)</b>

Following approval of the business case, the Brunel Pension Partnership Ltd was established in July 2017, as a company wholly owned by the Administering Authorities (in equal shares) that participate in the pool. The company is authorised by the Financial Conduct Authority (FCA). It is responsible for implementing the detailed Strategic Asset Allocations of the participating funds by investing Funds' assets within defined outcome focused investment portfolios. In particular, it researches and selects the external managers or pooled funds needed to meet the investment objective of each portfolio.

Now that Brunel is operational, the financial performance of the pool will be monitored to ensure that Brunel is delivering on the key objectives of investment pooling. This includes reporting of the costs associated with the appointment and management of the pool company including set up costs, investment management expenses and the oversight and monitoring of Brunel by the client funds. The set up and transition costs incurred to date are set out in the following table.

**Table 2: Investment Pool Set Up Costs**

	2018-19		Cumulative	
	Direct £'000	Indirect £'000	Total £'000	to date £'000
<b>Set Up Costs</b>				
Recruitment	-	-	-	18
Legal	-	-	-	133
Consulting, Advisory & Procurement	-	-	-	82
Other support costs e.g. IT, accommodation	-	-	-	0
Share purchase / subscription costs	-	-	-	840
<b>Total Set Up Costs</b>	-	-	-	<b>1,072</b>
<b>Transition Costs</b>				
Transition fees	-	-	-	-
Taxation	-	273	273	273
Other transition costs	-	845	845	845
<b>Total Transition Costs</b>	-	<b>1,118</b>	<b>1,118</b>	<b>1,118</b>

The Dorset Fund transitioned its first assets to Brunel in July 2018, comprising the allocation to passive equities. The savings achieved to date are set out in the following table.

**Table 3: Investment Fee Savings from Pooling**

	Value OBC 31-Mar-16 £'000	Value 31-Mar-19 £'000	Price Variance £'000	Quantity Variance £'000	Total Saving / (Cost) £'000
UK Passive Equities	365,654	374,014	-14	0	-14
Smart Beta Passive Equities	227,083	281,051	73	-26	46
UK Active Equities	218,539	187,596	299	91	390
<b>Total</b>	<b>811,276</b>	<b>842,662</b>	<b>358</b>	<b>65</b>	<b>423</b>

This analysis shows the fee savings achieved for the assets that have transitioned to Brunel portfolios against the fees charged at the time the business case for pooling was prepared in 2016. The price variance shows the savings or costs arising from changes in fees if asset values had remained unchanged, and the quantity variance shows the additional savings or costs from changes in asset values.

A summary of the costs and savings to date compared to the original business case is provided in the following table.

**Table 4: Expected vs Actual Costs and Savings to Date**

	2017-18				2018-19			
	Budget		Actual		Budget		Actual	
	In Year £'000	To date £'000						
Set up costs	1,066	1,183	1,072	1,072	0	1,183	0	1,072
Ongoing Brunel Costs	0	0	0	0	487	487	807	807
Clients Savings	0	0	0	0	(125)	(125)	(125)	(125)
Transition costs	0	0	0	0	1,283	1,283	1,118	1,118
Fee savings	0	0	0	0	(59)	(59)	(358)	(358)
<b>Net costs / (savings)</b>	<b>1,066</b>	<b>1,183</b>	<b>1,072</b>	<b>1,072</b>	<b>1,586</b>	<b>2,769</b>	<b>1,442</b>	<b>2,514</b>

The above table includes custodian and performance measurement and reporting costs as ongoing Brunel costs, although they are separated out in note 13 of the Statement of Accounts. The Dorset Fund Savings included in the original business case comprised custodian costs, based on the custodian costs in 2016-17, as it was envisaged these would be met via Brunel post pooling. The realised saving shown under Dorset Fund Savings therefore comprise the custodian costs saved as a result of including them within the Brunel ongoing costs line, based on the original business case.

The most significant variances from the original business case are summarised as follows:

- Fee savings in 2018-19 are higher as a result of higher asset values due to the higher than anticipated investment returns over the last three years;
- The transition costs for 2018-19 are lower. This is partly a result of transition costs for global active equity portfolios being included in 2018-19 in the original business case, whereas these assets will not now transition until 2019-20. No fee savings for the active equity portfolios had been included in the business case for 2018-19, as the transition was anticipated to be at year end. Transition costs for the passive mandates were also significantly lower than expected;
- Additional resources have been required by Brunel over and above those envisaged by the original business case, in order to deliver the service required by their clients. As a result, the ongoing overhead costs of the Brunel company are higher than originally estimated.

# Other Material



# Other Material

## Knowledge and Skills

There is a requirement for all those involved in the management and oversight of public sector pension funds (whether members or officers) to ensure they achieve the level of knowledge and skill necessary for performing their duties and responsibilities effectively.

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

All public sector organisations charged with the financial management of pension schemes will be aware of the schemes' growing complexity. Public sector pension scheme financial management demands appropriate skills, including knowledge of financial markets and products; financial services procurement; pensions accounting and auditing; actuarial practices; investment performance and risk management and the implications of legal and regulatory requirements.

Every public sector organisation should secure appropriate training, having assessed the professional competence of both those involved in pension scheme financial management and those with a policy, management and/or oversight role. They should also ensure that those charged with pension scheme governance have access to the skills and knowledge they require to carry out this role effectively.

CIPFA has published its Pensions Finance Knowledge and Skills Framework

as a basis for the training and development of those involved in pension scheme finances. The six areas within the Knowledge and Skills framework are:

- Pensions legislative and governance context;
- Pensions accounting and auditing standards;
- Financial services procurement and relationship management;
- Investment performance and risk management;
- Financial markets and product knowledge;
- Actuarial methods, standards and practices.

As an administering authority of the Local Government Pension Scheme, Dorset 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.

### **Member and Officer Training**

During 2018-19 knowledge was gained at various meetings with investment managers in addition to individual attendance at conferences and seminars. Two further meetings were held for training purposes the day prior to the Pension Fund Committees when they are held in London. There were presentations from Fund managers Investec, IFM and CQS whilst a tour of recently purchased properties were visited. Training sessions on a number of investment classes were provided to committee members in 2018-19 including:

- Corporate bonds;
- Multi asset credit;
- Smaller companies equities;
- Global equities;
- Infrastructure;
- Property;
- Private equity.

In addition, Committee Members received training in relation to investment pooling and governance matters.

The aim of the additional training and education is to reflect current issues at seminars and conferences held by industry recognised professionals and by the Funds existing advisers and fund managers. Special meetings are convened if considered necessary.

## **Glossary of Terms**

### **Actuarial Valuation**

An Actuarial Valuation is a three yearly valuation of the Fund. It is undertaken by the Actuary into the liability of the Fund to meet its liabilities. For the LGPS the Fund Actuary will assess the funding level of each participating employer and agree contribution rates.

### **Actuary**

An independent consultant who advises the Fund and reviews the financial position of the Fund every three years. The Actuary produces a report, known as the actuarial report, which compares the Fund's assets with the liabilities and prescribes the rates at which the employing bodies must contribute.

### **Additional Voluntary Contributions (AVCs)**

AVCs are paid by a contributor who decides to supplement their pension by paying extra contributions to the Scheme's AVC provider.

### **Admitted Bodies**

These are employers who have been allowed into the Fund at the County Council's discretion.

### **Asset Allocation**

The apportionment of the Fund's assets between different types of investments (or asset classes).

### **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**

Loans made to an issuer (often a government or a company) which undertakes to repay the loan at an agreed later date. The term refers generically to corporate bonds or government bonds (gilts).

### **Brunel Pension Partnership (BPP Ltd)**

A partnership of ten LGPS funds to pool the management of their investment assets. The individual funds will retain responsibility for setting investment strategy; BPP Ltd, a company owned by the ten administering authorities will implement the strategies on behalf of the funds. The funds in the partnership are: Avon, Buckinghamshire, Cornwall, Devon, Dorset, Environment Agency, Gloucestershire, Oxfordshire, Somerset and Wiltshire.

### **Collateral**

An asset (cash or securities) posted from one counterparty to another, and held as a guarantee against the value of a specified of trades or other transactions.

### **Corporate Governance**

Issues relating to the way in which a company ensures that it is attaching maximum importance to the interest of its shareholders and how shareholders can influence management.

### **Custody/Custodian**

The safekeeping of securities by a financial institution. The Custodian keeps a register of holdings and will collect income and distribute monies according to client instruction.

### **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**

Developing economies in Latin America, Africa, Asia and the Middle East as well as areas of Europe and the Far East. Investment returns within these markets tend to be more volatile than those in more established markets.

### **Equities**

Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholders' meetings.

### **Fund Administrator**

The person who is responsible for managing the pension fund.

### **Fund of Funds**

Funds whose principle activity is investing in other investment funds. Investors in funds of funds can increase their level of diversification and take advantage of the experience and research capability of the fund of funds manager.

### **Funding Level**

The percentage of the Fund's liabilities which can be paid out of the Fund. If the funding level falls below 100%, more will need to be paid into the Fund.

### **Infrastructure**

The public facilities and services needed to support residential development, including highways, bridges, schools and sewer and water systems.

### **LGPS**

The Local Government Pension Scheme, a public sector pension arrangement put in place via Government Regulations, for workers in local government.

### **Liabilities**

Financial liabilities are debts owed to creditors for outstanding payments due to be paid.

Pension liabilities are the pension benefits and payments that are due to be paid when someone retires.

### **Passive Management**

A style of investment management that seeks to attain performance equal to market or index returns.

### **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 and voting rights are lost.

# Appendices



# Appendices

## Appendix 1 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 Investment Strategy Statement (ISS), 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 two being members 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 five 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.

**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 website.

### 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.

## Appendix 2 Investment Strategy Statement (ISS) March 2018

### 1. Introduction

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 require administering authorities of LGPS funds to formulate and to publish a statement of its investment strategy, in accordance with guidance issued from time to time by the Secretary of State. This statement must be reviewed by the administering authority at least every three years, or more frequently should any significant change occur.

This statement replaces the previous version of the Investment Strategy Statement (ISS) first published March 2017, and has been amended to reflect the results of the strategic allocation review agreed by the Pension Fund Committee 13 September 2017.

### 2. Investment strategy and the process for ensuring suitability of investments

All functions of Dorset County Council (“the Council”) as the administering authority for the Dorset County Pension Fund (“the Fund”) have been delegated to the Pension Fund Committee (“the Committee”). This includes responsibility for determining the

overall investment strategy and strategic asset allocation of the Fund, and in doing so taking proper professional advice.

The primary investment objective of the Fund is to ensure that over the long term the Fund will have sufficient assets to meet all pension liabilities as they fall due. To meet this objective a major review of the Fund’s strategic asset allocation is undertaken every three years shortly after the results of the triennial actuarial valuation are known. The Fund’s strategic asset allocation was last reviewed in this way in 2017, advised by Mercer, an investment consultancy firm, with considerable LGPS experience and expertise, and Alan Saunders, Allenbridge Epic Investment Advisers, the Fund’s independent adviser. The Committee will also consider asset allocation at each of its quarterly meetings.

The Fund allocates across a variety of different asset classes in order to prudently diversify sources of investment return and risk. To be judged suitable for investment, asset classes must be consistent with the Fund’s risk and return objectives, improve diversification and be fully understood by officers and the Committee. The Fund’s current target strategic asset allocation is set out in the table on this page, together with tolerances by which the

actual allocation can vary without further agreement by the Committee:

Asset Class	Allocation	Tolerance
UK Equities	20.0%	+/- 4.0%
Global Equities	22.0%	+/- 4.0%
Emerging Markets Equities	3.0%	+/- 0.5%
Bonds	6.0%	+/- 1.5%
Multi Asset Credit (MAC)	5.0%	+/- 1.0%
Property	12.0%	+/- 2.0%
Diversified Growth Funds (DGF)	8.0%	+/- 1.0%
Private Equity	5.0%	+/- 1.0%
Infrastructure	5.0%	+/- 1.0%
<b>Total Return Seeking Assets</b>	<b>86.0%</b>	-
Liability Driven Investment (LDI)	14.0%	+/- 3.0%
<b>Total Assets</b>	<b>100.0%</b>	-

The appointment of more than one manager, with differing investment approaches, in a number of the asset classes, adds a further level of diversification. All managers are required to report on portfolio management on a quarterly basis, they must comply with all instructions given to them by the Fund (in accordance with the mandates agreed) and contracts can be terminated at one month’s notice.

### **UK Equities (20.0%)**

Approximately two thirds of the allocation to UK Equities is managed internally by officers in the Chief Executive's Department on a passive basis. The target is to track the FTSE 350 index, with an annual deviation allowed of +/- 0.5%, and no derivatives or financial gearing are permitted. The constituents of the FTSE 350 index are fully replicated by the in-house team. Exposure to the remaining 3% of the FTSE All Share index not included in the FTSE 350 index is captured by an external active allocation to a pooled fund specialising in 'small cap' investments managed by Schroders (effective April 2006), with a target to outperform the FTSE Small Cap index by 2.5% per annum. The remaining allocation to UK Equities is managed on an active basis by AXA Framlington (effective April 2006) in a pooled vehicle with a target of outperforming the FTSE All Share Index by 3.5% per annum.

### **Global Equities – Developed Markets (22.0%)**

Equities in developed markets are managed by three external investment managers; Allianz Global Investors, Investec Asset Management and Wellington Management. The management agreements were effective

from December 2015, and each manager has a target to outperform the MSCI Global Index. All three are managed on an active basis but each has a different investment approach, thus adding a further degree of diversification.

### **Global Equities – Emerging Markets (3.0%)**

The Fund has exposure to Emerging Markets equities through JP Morgan Asset Management who have managed an active mandate since April 2012. The investment is in a pooled fund, which has a diversified strategy, and the target is to outperform the MSCI Emerging Markets Index by 2% per annum.

### **Bonds (6.0%)**

The Fund's Bonds' manager is Royal London Asset Management (rlam), appointed with effect from July 2007, with a target to outperform the iBoxx Non-Gilt Over 5 Year Index by 0.75%. The allocation is invested in the RLPPC Core Bond Fund, which holds a diversified portfolio of mainly UK Bonds with an emphasis on the corporate sector.

### **Multi Asset Credit (MAC) (5.0%)**

The Fund is invested in the CQS Credit Multi Asset Fund with effect from 1 December 2017, with a target to

outperform LIBOR by 4.0-5.0%, net of fees. The fund holds a diversified portfolio of corporate loans, bonds and asset backed securities in the US and Europe.

### **Property (12.0%)**

CBRE Global Investors is the Fund's property adviser and manager. Approximately 90% of the Fund's investment is in directly owned commercial property in the UK, with a wide diversification both geographically and across sectors. The remaining 10% is invested in indirect property funds, the Lend Lease Retail Partnership (Jersey) Unit Trust, and the Standard Life Shopping Centre Trust Fund, which give exposure to the shopping centre sector not covered by the direct investments. The manager's target is to achieve a return on assets at least equal to the average IPD Quarterly Universe Portfolio Return, the industry standard benchmark, over a rolling five year period. Over time the mandate with CBRE will be amended to allow for a gradual transition to a portfolio more evenly split between core and high lease value (HLV) holdings.

### **Diversified Growth Funds (DGF) (8.0%)**

The Fund has invested with Baring Asset Management in their Dynamic Asset Allocation Fund since April 2012. This pooled fund seeks to achieve equity like returns but with lower risk, by investing in a range of asset classes and focussing on asset allocation. The target return is cash plus 4%, with 70% of equity risk.

### **Private Equity (5.0%)**

Since April 2006 the Fund has invested in Private Equity 'fund of funds' 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).

### **Infrastructure (5.0%)**

Two Infrastructure managers, Hermes Investment Management and International Fund Management (IFM), were appointed in 2014. Hermes focus mainly on UK opportunities, whereas IFM have a wider global reach. Like Private Equity, it will take some time for all of the committed capital to be completely drawdown, but once invested these are intended to remain as long term holdings.

### **Liability Driven Investment (LDI) (14.0%)**

Insight Investments were appointed in April 2012 with the objective to reduce the Fund's exposure to inflation risk by putting together a portfolio that moves in a similar way to the liabilities. The Fund is invested in a bespoke Qualifying Investor Fund (QIF) set up by Insight which enables them to use a range of derivative instruments in addition to index linked or conventional gilts.

### **3. Risk measurement and management**

Achieving satisfactory investment returns will, to a considerable degree, reflect the risks taken, and therefore the Fund seeks to understand, measure and manage risk, not eliminate it.

Investment risk can be measured and managed in a number of 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:* The Fund's 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:* In setting the investment strategy, the Committee considers 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.

Risks may also arise from a lack of suitable balance or diversification of the Fund's assets. 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.

Other financially material risks arising from social, environmental and corporate governance issues are required to be considered and managed by the Fund's investment managers in relation to all

asset classes. The Fund's approach is set out in more detail in section 5 below.

Consideration is also given to the on-going risks of a mismatch, over time, between the Fund's assets and its liabilities. The Fund's Funding Strategy Statement considers these risks in greater detail, however, the major risks that can lead to this mismatch are the impact of interest and inflation yields on liabilities. Following a strategic review of the Fund undertaken by JLT in June 2011, the Committee began a process to address this risk, leading to the current asset allocation of 14.0% to Liability Driven Investment (LDI), and the appointment of Insight Investments.

#### **4. Approach to asset pooling**

The Fund is working with nine other LGPS funds to pool investment assets through the Brunel Pension Partnership Ltd (Brunel Ltd). This is currently work in progress with the intention of meeting the Government's requirement for the pool to become operational and for the first assets to transition to the pool from April 2018.

Following the establishment of Brunel Ltd, the Fund, through the Committee, will retain the responsibility for setting

the detailed strategic asset allocation for the Fund and allocating investment assets to the portfolios provided by Brunel Ltd.

Brunel Ltd is a new company wholly owned by the administering authorities. The company is seeking authorisation from the Financial Conduct Authority (FCA) to act as the operator of an unregulated Collective Investment Scheme (CIV). It will be responsible for implementing the detailed strategic asset allocations of the participating funds by investing funds' assets within defined outcome focused investment portfolios. In particular it will research and select the Manager Operated Funds (MOFs) needed to meet the requirements of the detailed strategic asset allocations. These MOFs will be operated by professional external investment managers.

The Fund will be a client of Brunel Ltd and as a client will have the right to expect certain standards and quality of service. A detailed service agreement will set out the duties and responsibilities of Brunel Ltd, and the rights of the Fund as a client, including a duty of care for Brunel Ltd to act in its clients' interests.

An Oversight Board has been established, comprised of representatives from each of the administering authorities, set up according to an agreed constitution and terms of reference. Acting for the administering authorities, it will have ultimate responsibility for ensuring that Brunel Ltd delivers the services required to achieve investment pooling. It will therefore have a monitoring and oversight function and consider relevant matters on behalf of the administering authorities, but will not have delegated powers to take decisions requiring shareholder approval. These will be remitted back to each administering authority individually.

The Oversight Board will be supported by the Client Group, comprised primarily of pension investment officers drawn from each of the administering authorities but will also draw on administering authorities' finance and legal officers from time to time. It will have a primary role in reviewing the implementation of pooling by Brunel Ltd, and provide a forum for discussing technical and practical matters, confirming priorities, and resolving differences. It will be responsible for providing practical support to enable the Oversight Board to fulfil its monitoring and oversight function.

The proposed arrangements for asset pooling for the Brunel Pension Partnership pool have been formulated to meet the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and Government guidance. Regular reports have been made to Government on progress towards the pooling of investment assets, and the Minister for Local Government has confirmed that the pool should proceed as set out in the proposals made.

The Council has approved the full business case for the Brunel Pension Partnership. It is anticipated that investment assets will be transitioned across from the Fund's existing investment managers to the portfolios managed by Brunel Ltd between April 2018 and March 2020 in accordance with a timetable that will be agreed with Brunel Ltd. Until such time as transitions take place, the Fund will continue to maintain the relationship with its current investment managers and oversee their investment performance, working in partnership with Brunel Ltd where appropriate.

Following the completion of the transition plan outlined above, it

is envisaged that all of the Fund's assets will be invested through Brunel Ltd. However, the Fund has certain commitments to long term illiquid investment funds which will take longer to transition across to the new portfolios to be set up by Brunel Ltd. These assets will be managed in partnership with Brunel Ltd until such time as they are liquidated, and capital is returned.

#### **5. Social, environmental and corporate governance policy**

The primary aim of the Committee is to maximise the value of investments made for the benefit of the many stakeholders, including council tax payers, employer bodies, the current employee contributors and pensioners. The Committee does not place restrictions on investment managers in choosing individual investments in companies or sectors 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.

However the Committee expects that the boards of companies in which the

Fund invests should pay due regard to social environmental matters and thereby further the long-term financial interests of the shareholders. Social and environmental issues arise not only in board policy decisions but also in daily operations, and the Committee therefore looks to the directors of a company to manage that company's affairs taking proper account of the shareholders' long-term interests.

The 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.

Please follow the link below to view the Fund's policies relating to responsible investment:

**<http://www.yourpension.org.uk/Dorset/Investments-Governance/Responsible-Investment.aspx>**

## **6. Policy of the exercise of rights (including voting rights) attaching to investments**

The Fund has a voting issues policy for UK and overseas equity investments. Advice on such issues is taken from the National Association of Pension Funds (NAPF) 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 may be considered.

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

The Pension Fund Committee receives an annual report on voting activity in the previous year. Please follow the link below to view the most recent report:  
**<http://dorset.moderngov.co.uk/ieListDocuments.aspx?CId=135&MId=1106&Ver=4>**

## Appendix 3 Pension Administration Strategy Report

### Introduction

Dorset County Pension Fund (“the Fund”) is responsible for the administration of the Local Government Pension Scheme (“LGPS”) within the geographical area of Dorset. The Fund also administers the LGPS on behalf of a number of qualifying employers who are not situated within the Dorset area. The service is carried out by Dorset County Council (“the administering authority”) on behalf of qualifying employers and ultimately the LGPS members.

This document is the Pensions Administration Strategy statement outlining the policies and performance standards towards providing a cost-effective, inclusive and high quality pensions and administration service. Delivery of such an administration service is not the responsibility of one person or one organisation, but is rather the joint working of a number of different stakeholders, which between them are responsible for delivering the pensions administration service to meet the diverse needs of the membership. As the

cost of this service is borne by the Fund, and effectively recharged pro-rata to each employer via the contribution rate, it is in everyone’s interests to ensure an efficient cost-effective provision.

### Compliance

Developed in consultation with employers within the Fund, this statement seeks to promote good working relationships, improve efficiency and ensure agreed standards of quality in delivery of the pension administration service amongst the employers and the Fund. A copy of this strategy is issued to each of the relevant employers.

The undertakings set out within this Pension Administration Strategy will be reviewed annually by the Fund. In no circumstances does this strategy override any provision or requirement of the Regulations set out below nor is it intended to replace the information provided in the Employers’ Guide on the Dorset County Pension Fund website for day-to-day use; [www.yourpension.org.uk/Dorset/Employers](http://www.yourpension.org.uk/Dorset/Employers)

### Review

The Fund will review this policy statement and make revisions as appropriate following a material change

in its policies in relation to any of the matters contained in the strategy. Employers will be consulted and informed of the changes.

### Regulatory Framework

Regulation 59 of the LGPS Regulations 2013 enables an LGPS administering authority to prepare a document (“the pension administration strategy”) detailing administrative standards, performance measure, data flows and communication with employers.

In addition, Regulation 70 of the LGPS Regulations 2013 allows an administering authority to recover costs from an employing authority where costs have been incurred because of that employing authority’s level of performance in carrying out its functions under these Regulations. See Poor Performance section on page 123.

This document has been presented, considered and approved by the Pension Fund Committee on the 21 November 2013 and, as such, the contents of which apply to all existing and future employers of Dorset County Pension Fund from 1 April 2014.

## **Liaison and Communication**

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.

Each Employing authority will designate a named individual to act as the main point of contact (Pension Liaison Officer (PLO) with regard to any aspect of administering the LGPS.

Their key responsibilities will be:

- to act as a conduit for communications to appropriate staff within the employer - for example, Human Resources, Payroll teams, Directors of Finance;
- to ensure that standards and levels of service are maintained;
- to ensure that details of all nominated representatives and authorised signatures are correct and to notify the Fund of any changes immediately;

- to arrange distribution of communications literature as and when required;
- to inform the Fund of any alternative service arrangements required;
- to assure data quality and ensure the timely submission of data to the Fund;
- to assist and liaise with the Fund on promotional activities; and to ensure payments due to the Fund are made in accordance with the Pensions Administration Strategy.

## **Employer Training / Meetings**

Employer workshops are arranged four times per year but more will be provided if requested or deemed necessary by the Fund. The workshops cover employer responsibilities highlighting:

- Starter and leaver processes
- Final Pay
- LGPS Discretions
- End of Year requirements
- Communications

The Fund will hold Pension Liaison Officer Group (PLOG) meetings 3 times per year. Attendance by each employer's PLO is actively encouraged.

The Fund holds an annual employer's meeting where officers provide information on Fund Finances, Investment Performance and topical issues for the Fund; in recent times this has included updates on future changes to the LGPS. Attendance by each employer's main contact and Senior Management is actively encouraged.

Meetings with senior pension fund staff can be arranged on request.

## **Policy Discretions**

Each employer is required to produce, publish and maintain a statement of policy regarding the exercise of certain discretionary functions available to them within the LGPS regulations. The policy statement must be kept under review and where revisions are made; the revised policy statement must be sent to the Fund and made readily available to all employees within the employing authority within one month of the effective date.

## **Notification of Employee's Rights**

Any decisions made by an employing authority affecting an employee's rights to membership or entitlement to benefits must be notified to the employee in writing.

## Internal Disputes Resolution Procedures (IDRP)

Each employing authority is required to nominate and name the person to whom applications under Stage 1 of the Internal Disputes Resolution Procedures should be made. The name, job title and contact details of this nominated person must be kept up-to-date with the Fund.

### Computer Links

The Fund will, to appropriate large employers, provide the software, hardware and communication facilities in order for employing authority staff to produce retirement estimates and enquire on their employee's record of membership.

The Fund will ensure that the Pensions Administration computer system is available for use during normal office hours with the exception of any necessary scheduled maintenance of the system.

### Fund and Employer Responsibilities

The LGPS Regulations identifies a number of responsibilities for the Fund and Employers.

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

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.aspx](http://www.yourpension.org.uk/Dorset/Employers/ Employer-Forms.aspx)

The changes include:

#### Status:

- Change of Name
- Marital Status
- National Insurance Number
- Address

#### Conditions of Service:

- Contractual Hours
- Remuneration changes due to down grading
- Contribution Rate
- Employee Number and/or Post Number
- Date Joined Scheme (if adjusted)

#### Absence:

- Maternity, Paternity and Adoption
- Unpaid leave of absence
- Industrial Action
- Any other material period of absence.

Each employer must ensure that the relevant contributions are deducted, if required.

End of Year 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.

### Fund's Responsibility

To provide forms for recording any key change in circumstances and/or to provide a template for the secure submission of data electronically.

To accurately record and update member records on the pension administration system within 30 working days of notification or any shorter period as requested by the employer with regard to specific requirements.

To issue Annual Benefit Illustrations by the 5th October of the year concerned for all members where the employer has sent end of year contribution return by 15th May of that same year.

To calculate the LGPS member's Annual Allowance under HMRC Legislation and notify members, where appropriate by the 5th October of the year concerned or within 3 months of member's request.

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

Actual Retirement	
Employers' Responsibility	Fund's Responsibility
<p>To submit the appropriate form to the Fund at least one month before retirement where possible but in all cases no later than 15 working days after retirement date.</p> <p>Further information can be found in the Employers Guide: <a href="http://www.yourpension.org.uk/Dorset/Employers">www.yourpension.org.uk/Dorset/Employers</a>.</p>	<p>To issue the member with a letter and retirement information within 10 days of notification.</p> <p>To make payment of any lump sum within 5 working days of the date of retirement provided all relevant forms and certificates have been received from the member.</p> <p>To pay any pension payment on the last working day of each month, following retirement.</p>

Ill Health Retirements	
Employers' Responsibility	Fund's Responsibility
<p>To determine based on medical opinion and advice of one of the Administering Authorities approved Independent Medical Registered Practitioners (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 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 review all Tier 3 ill health retirement cases prior to discontinuance at three years and notify member of cessation if applicable.</p> <p>Further information on ill health retirements can be found in the Employers Guide; <a href="http://www.yourpension.org.uk/Dorset/Employers">www.yourpension.org.uk/Dorset/Employers</a></p>	<p>To calculate and pay required benefits in line with actual retirement timescales.</p> <p>To calculate and recover any overpayment of pension benefits.</p> <p>Update the member records as becoming a "pensioner member with deferred benefits from the date of the suspension".</p>

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

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

## Death In Service and Terminal Illness

### Employers' Responsibility

To inform the Fund immediately of the death of an employee or when a member is suffering from a potentially terminal illness and provide details of the next of kin.

Further information can be found in the Employers Guide;  
[www.yourpension.org.uk/Dorset/Employers](http://www.yourpension.org.uk/Dorset/Employers)

### Fund's Responsibility

To assist employers, employees and their next of kin in ensuring the pension options are made available and that the payment of benefits are expedited in an appropriate caring manner.

## Financial Obligations

### Employers' Responsibility

To pay the Fund all contributions deducted from payroll (not including AVCs) of its employees and employer contributions, no later than the 19th day of the month following the period of deductions.

To re-imburse the Fund for all pension payments made which are not to be borne by the Fund e.g. early retirement strain cost, compensatory added years, injury allowances under an agreed schedule.

To ensure that all payments made to the Fund are supported by a completed Monthly Financial Return form which is available at  
[www.yourpension.org.uk/Dorset/employers](http://www.yourpension.org.uk/Dorset/employers)

Further information can be found in the Employer Guide:  
[www.yourpension.org.uk/Dorset/employers](http://www.yourpension.org.uk/Dorset/employers)

To apply the correct employer and employee contribution rate.

To alter employee contribution rates at all other times in line with the employers' discretionary policy on adjusting employee contribution rates.

To pay all rechargeable items to the Fund within four weeks of the invoice.

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.

### Fund's Responsibility

To allocate the received contributions to each employers record.

Interest will be charged for late payment as detailed in Regulation 71(4) of the LGPS Regulations 2013.

Inform each employer of any new contribution banding.

The Fund will inform employers of any recharge items as they become due.

To record and update member records on pension administration system to show membership of AVC scheme.

### Additional Benefits (ARCS and ASBCS)

#### Employers' Responsibility

To collect from the employee payroll, contributions and to arrange the prompt payment to the Fund no later than the 19th of the month following deduction.

More information can be found in the Employers Guide, [www.yourpension.org.uk/Dorset/employers](http://www.yourpension.org.uk/Dorset/employers)

#### Fund's Responsibility

To provide information on Additional Regular Contributions (ARCs) and Additional Survivor Benefit Contributions (ASBC's) on request to the LGPS member and employers and issue quotations within 10 working days.

### Discretions Policy

#### Employers' Responsibility

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

This must be done within 30 days of policy being agreed by the appropriate officers or committee of the Employer OR any changes being made and

No later than 6 months after being informed by the Fund of any relevant change in the Regulations.

#### Fund's Responsibility

Formulate, publish and update (as necessary) an Administering Authority Discretions Policy as required under the LGPS Regulations. The Fund will keep the policies under review and will update within 6 months of any relevant change in the Regulations.

Where the Fund does not have an up to date discretions policy from an Employer, the Fund will not process anything which involves Employers discretions. This currently includes early retirement (pre age 60), additional pension awards, flexible retirement and waiving of actuarial reductions on any of these.

### Standards of Data

#### Overriding Legislation

In performing the role of administering the LGPS, The Fund and Employers will comply with the overriding legislation, including:

- the Occupational Pensions Schemes (Disclosure of Information) Regulations 1986;
- the Pensions Act 1995 & 2004;
- any Transitional Regulations currently in place;
- the Discretionary and Compensation Regulations 2006;
- the Data Protection Act 1998;
- the Freedom of Information Act 2000;
- the Equality Act 2010;
- the Age Discrimination Act 2006;
- the Finance Act 2004;
- Health and Safety Legislation;
- Employment Rights Act 2010;
- HMRC Legislation and
- Current Government Actuaries Department Guidance and any future amendments to the above legislation.

#### Secure Data Transfer

The Fund will follow Dorset County Council data security guidelines when sending any personal data in bulk.

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

## Fund Administration Performance - Task Standards

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

The annual figures for the Fund performance measures across all employers will be monitored by the Pension Fund Committee and reported in the Annual Report.

### Audit

The Fund is subject to an annual audit of its processes and internal controls. Employers are expected to fully comply with any requests for information from both internal and approved external auditors. Any subsequent recommendations will be considered and where appropriate implemented with Employing authority cooperation.

### Benchmarking

The Fund will regularly monitor its costs and service performance by benchmarking with other administering authorities. Details of the costs of administration, quality measures and standards of performance will be monitored by the Pension Fund Committee and a summary will be published in the Annual Report.

## Employer Performance Reporting

As part of this Pensions Administration Strategy the Fund will develop, with employer consultation, arrangements for quarterly reporting on key performance measures as shown below.

This approach to reporting will facilitate early engagement with employers and also provide a mechanism for service level review and recognition of best practice.

## Poor Performance

The Pension Fund Committee will monitor regularly the key performance measures. The Fund will seek, at the earliest opportunity, to work closely with employers in identifying areas of poor performance, provide the necessary training and development to put in place appropriate processes to improve the level of service into the future.

In the event of continued poor performance and a lack of any evidence of measures being taken to achieve improvement by an employing authority the Fund will seek to recover any additional costs arising.

The Fund may also charge for other services, details of all the charges that apply are provided in Appendix A.

Any third party costs or regulatory fines incurred by the Fund as a consequence of administrative failures or poor performance by the employing authority will be recovered from the employer. These may include fines imposed by the

Courts or the Pensions Ombudsman and additional charges in respect of actuarial fees, legal fees, third party computer charges and additional printing and distribution costs.

## Performance 2018-19 - report for period: April 2018-March 2019

### Number of complaints received: 1

Top 12 detail - cases completed on time	Completed in period	Performance %	KPI (days)	Cases completed on time or early
Admissions	7,107	93.30	30	6,632
Transfers In Quote	802	99.00	15	794
Transfers In Actual	270	99.26	20	268
Transfers Out	340	96.47	10	328
Transfers Out Actual	207	96.62	10	200
Estimates Employee	1,130	100.00	15	1,130
Estimates Employer	483	100.00	15	483
Retirements	2,460	98.70	5	2,428
Deferred Benefits	3,025	98.15	40	2,969
Refunds	2,419	99.42	15	2,405
Deaths	302	100.00	5	302
Correspondence	5,359	99.79	30	5,348
<b>Total</b>	<b>23,904</b>	<b>97.42</b>		<b>23,287</b>

Performance 2018-19 - report for period:  
April 2018-March 2019, continued

<b>Top 13 detail - Average elapsed time for cases completed within 6 months of receipt</b>			
	<b>Total cases</b>	<b>Average elapsed time</b>	<b>Target</b>
Admissions	7,107	35	10
Transfers In Quote	802	30	64
Transfers In Actual	270	79	64
Transfers Out	340	52	23
Transfers Out Actual	207	69	23
Estimates Employee	1,130	30	10
Estimates Employer	483	11	9
Retirements	2,454	56	53
Retirements	1,487	55	53
Deferred Benefits	3,025	64	23
Refunds	2,419	63	28
Deaths	302	2	44
Correspondence	5,359	4	2

<b>Top 12 detail - Cases currently over 6 months old</b>	<b>Total cases</b>
Admissions	1,688
Transfers In Quote	280
Transfers In Actual	78
Transfers Out	87
Transfers Out Actual	57
Estimates Employee	409
Estimates Employer	207
Retirements	836
Deferred Benefits	603
Refunds	593
Deaths	112
Correspondence	1,651
<b>Total</b>	<b>6,601</b>

In dealing with poor performance the Fund will:

- write to the employer setting out the area(s) of poor performance;
- meet with the employing authority, to discuss area(s) of poor performance and how these can be addressed;
- issue formal written notice, where no improvement is demonstrated by the employing authority or where there has been a failure to take agreed action by the employing authority;
- make a claim for cost recovery, taking account of time and resources in resolving the specific area(s) of poor performance;
- will report any claim for the cost of recovery to the Pension Fund Committee at the next available meeting and may form part of the administration report in the Fund's published Annual Report.

#### Associated Policy Statements

##### **Communications Policy**

The statement outlines the Fund's policy on:

- Information to members, representatives and employers;
- The format, frequency and method of distributing such information;

- The promotion of the Scheme to prospective members and their employing authorities.

The policy can be accessed on the Dorset County Pension Fund website: [www.yourpension.org.uk/Dorset/In-the-Scheme/Publications](https://www.yourpension.org.uk/Dorset/In-the-Scheme/Publications)

##### **Governance Policy**

Dorset County Council has delegated to the Pension Fund Committee various powers and duties in respect of its administration of the Fund.

This statement sets out the scheme of delegation and the terms of reference, structure and operational procedures of the delegation.

The policy can be accessed on the Dorset County Pension Fund website: <https://www.yourpension.org.uk/Dorset/Investments/Responsible-Investment>

##### **Employer Discretions**

The LGPS Regulations require every employing authority to:

- issue a written policy statement on how it will exercise the various discretions provided by the LGPS;
- keep it under review;
- revise it as necessary.

A list of the Employer discretions can be found in the Employers Guide: <https://www.yourpension.org.uk/Dorset/Employers>

##### **Administering Authority Discretions**

The LGPS Regulations require every administering authority to:

- issue a written policy statement on how it will exercise the various discretions provided by the LGPS;
- keep it under review;
- revise it as necessary.

A copy of the Dorset County Pension Fund Administering Authority Discretions can be found on the Dorset County Pension Fund website:

<https://www.yourpension.org.uk/Dorset/Scheme>

#### Local Government Pension Scheme Regulations 2013 Excerpts Related To Pensions Administration Strategy Documents

##### **Exchange of information - Regulation 80**

###### **(1). A Scheme employer must -**

- a) inform the appropriate administering authority of all decisions made by the employer under regulation 72 (first instance decisions) or by an adjudicator

appointed by the Scheme employer under regulation 74 (applications for adjudication of disagreements) concerning members; and  
 b) give that authority such other information as it requires for discharging its Scheme functions.

**(2). If -**

a) an administering authority makes any decision under regulations 72 (first instance decisions), 75 (decisions of the adjudicator) or 76 (reference of adjudications to administering authority) about a person for whom it is not the Scheme employer; and  
 b) information about that decision is required by the person's Scheme employer for discharging that employer's Scheme functions, that authority must give that employer that information if asked to supply it.

**(3). Within three months of the end of each Scheme year, each Scheme employer must give a statement to the appropriate administering authority giving the following details in respect of each employee who has been an active member during the Scheme year -**

a) the employee's name and gender;  
 b) the employee's date of birth and national insurance number;  
 c) a unique reference number relating to each employment in which the employee has been an active member; and  
 d) the information relating to the employee for the Scheme year in question for each employment which is specified in paragraph (4).

**(4). The information required by paragraph (3)(d) is -**

a) the dates of active membership;  
 b) the pensionable pay received and employee contributions deducted while regulation 9 (contributions) applied;  
 c) the pensionable pay received and employee contributions deducted while regulation 10 (temporary reduction in contributions) applied;  
 d) any contributions by the employer in relation to the employee's pensionable pay;  
 e) any contributions by employee or employer under regulation 16 (additional pension contributions);  
 f) any contributions by employee or employer under regulation 17 (additional voluntary contributions).

**Pension administration strategy - Regulation 59**

**(1). An administering authority may prepare a written statement of the authority's policies in relation to such of the matters mentioned in paragraph (2) as it considers appropriate ("its pension administration strategy") and, where it does so, paragraphs (3) to (7) apply.**

**(2). The matters are -**

a) procedures for liaison and communication with employers in relation to which it is the administering authority ("its scheme employers");  
 b) the establishment of levels of performance which the administering authority and its Scheme employers are expected to achieve in carrying out their Scheme functions by -  
 i. the setting of performance targets;  
 ii. the making of agreements about levels of performance and associated matters; or  
 iii. such other means as the administering authority considers appropriate.  
 c) procedures which aim to secure that the administering authority and its Scheme employers comply

with statutory requirements in respect of those functions and with any agreement about levels of performance;

d) procedures for improving the communication by the administering authority and its Scheme employers to each other of information relating to those functions;

e) the circumstances in which the administering authority may consider giving written notice to any of its Scheme employers under regulation 70 (additional costs arising from Scheme employer's level of performance) on account of that employer's unsatisfactory performance in carrying out its Scheme functions when measured against levels of performance established under sub-paragraph (b);

f) the publication by the administering authority of annual reports dealing with -

- i. the extent to which that authority and its Scheme employers have achieved the levels of performance established under sub-paragraph (b), and
- ii. such other matters arising from its pension administration strategy as it considers appropriate; and

g) such other matters as appear to the administering authority after consulting its Scheme employers and such other persons as it considers appropriate, to be suitable for inclusion in that strategy.

- (3). **An administering authority must -**
  - a) keep its pension administration strategy under review; and
  - b) make such revisions as are appropriate following a material change in its policies in relation to any of the matters contained in the strategy.
- (4). **In preparing or reviewing and making revisions to its pensions administration strategy, an administering authority must consult its scheme employers and such other persons as it considers appropriate.**
- (5). **An administering authority must publish -**
  - a) its pension administration strategy; and
  - b) where revisions are made to it, the strategy as revised.

(6). **When an administering authority publishes its pension administration strategy, or that strategy as revised, it must send a copy of it to each of its employers and to the Secretary of State as soon as is reasonably practicable.**

(7). **An administering authority and its Scheme employers must have regard to the pension administration strategy when carrying out their functions under these Regulations.**

(8). **In this regulation references to the functions of an administering authority include, where applicable, its functions as a Scheme employer.**

**Additional costs arising from Scheme employer's level of performance - Regulation 70**

- (1). **This regulation applies where, in the opinion of an administering authority, it has incurred additional costs which should be recovered from a Scheme employer because of that employer's level of performance in carrying out its functions under these Regulations.**
- (2). **The administering authority may give written notice to the Scheme employer stating -**

- (a) the administering authority's reasons for forming the opinion mentioned in paragraph (1);
- (b) the amount the authority has determined the Scheme employer should pay under regulation 69(1)(d) (payments by Scheme employers to administering authorities) in respect of those costs and the basis on which the specified amount is calculated; and
- (c) where the administering authority has prepared a pension administration strategy under regulation 59, the provisions of the strategy which are relevant to the decision to give the notice and to the matters in sub-paragraphs (a) or (b).

### **Interest on late payments by Scheme employers - Regulation 71**

- (1). An administering authority may require a Scheme employer or former Scheme employer from which any payment is due under regulations 67 to 70 (employer's contributions or payments) is overdue to pay interest on that amount.**
- (2). The date on which any amount due under regulations 67 (employer's**

- contributions), 68 (employer's further payments), 70 (additional costs arising from Scheme employer's level of performance) is overdue is one month from the date specified by the administering authority for payment.**
- (3). The date on which any amount due under regulation 69 (payment by Scheme employers to administering authorities) (other than an extra charge payable under regulation 68 and referred to in regulation 69(1) (b)) is overdue is the day after the date when that payment is due.**
- (4). Interest payable under this regulation must be calculated at one per cent above base rate on a day to day basis from the due date to the date of payment and compounded with three-monthly rests.**

Overriding legislation dictates minimum standards that Pension Schemes should meet in providing certain pieces of information to the various associated parties - not least of which the Scheme member.

## Appendix A - Charging Schedule

	Charge
Failure to notify the Fund of new starters with full information within 1 month of their start date	£50 per case
Failure to notify the Fund of changes in status, conditions of service and absence of employees within 1 month of the change	£50 per case
Failure to notify the Fund of any member leaving the Scheme (termination of employment or opting-out) within 1 month of the event	£50 per case
Failure to notify the Fund of any retirement within 15 days of retirement date	£50 per case
Where as a result of the Employer's/Payroll Providers failure to notify the Fund of a retirement interest becomes payable on any lump sum or death grant paid, the Fund will recharge the total amount of interest to the Employer/Payroll Provider	Interest calculated in accordance with Regulation 71 of the LGPS Regulations 2013
Failure to notify the Fund of the death in service of a member within 10 working days of the Employer receiving notification	£250 per case
Failure to pay over the monthly contributions to the Fund by the 19th of the month following deduction of the contributions	Interest calculated on a daily basis equal to the Bank of England Base Rate plus 1%
Failure to provide the Fund with the End of Year contribution return by 15th May or 8th May in a Valuation year	£50 per working day from day after required date to date return is received
Failure to respond to requests for End of Year information to resolve queries within 15 working days of Fund request	£50 per query
Estimate requests in excess of 1 required in a rolling year	£100 per estimate request plus VAT per additional request
Failure to pay invoices from the Fund within the prescribed payment period	Interest calculated on a daily basis equal to the Bank of England Base Rate plus 1%

## Notes to Charging Schedule

- Notifications of new starters, changes, absences, leavers, retirements and death in service must give full information as detailed in the Employer's Guide: **[www.yourpension.org.uk/Dorset/Employers](http://www.yourpension.org.uk/Dorset/Employers)**
- Regulation 71 of the LGPS Regulations 2013 states that interest must be calculated at one per cent above base rate on a day to day basis from the due date to the date of payment and compounded with three-monthly rests. If late payment of a lump sum or death grant occurs as a result of a failure by the scheme member or scheme member's representative to provide the information to the Fund, the Fund will be liable for the payment of any interest due.

## Contact details

### Write to us at:

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

**Tel:** 01305 224845

**Fax:** 01305 224049

### Email:

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

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

## Appendix 4 Funding Strategy Statement - June 2017

### Introduction

This is the Funding Strategy Statement (FSS) 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).

This statement should be read in conjunction with the Fund's Investment Strategy Statement (ISS)/Statement of Investment Principles (SIP) and has been prepared with regard to the 2016 guidance issued by CIPFA.

### Purpose of the Funding Strategy Statement

The purpose of the FSS is to explain the Fund's approach to meeting employers' pension liabilities and in particular to:

- Establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
- Support the desirability of maintaining as nearly constant a primary contribution rate as possible, as defined in Regulation 62(5) of the Regulations;
- Ensure that the regulatory requirements to set contributions to meet the future liability to provide scheme member benefits in a way that ensures the solvency and long-term cost efficiency of the fund are met; and
- Take a prudent longer-term view of funding those liabilities.

These objectives are desirable individually but may be mutually conflicting. This FSS seeks to set out how the administering authority has balanced the conflicting aims of affordability of contributions, transparency of processes, stability of employers' contributions and prudence in the funding basis.

### Aims and purposes of the Fund

The aims of the Fund are to:

- Manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due;
- Enable primary contribution rates to be kept as nearly constant as possible and (subject to the administering authority not taking undue risks) at reasonable cost to all relevant parties (such as the taxpayers, scheduled, resolution and admitted bodies), while achieving and maintaining fund solvency and long-term cost efficiency. This should be assessed in light of the risk profile of the Fund and employers, and the risk appetite of the administering authority and employers alike; and
- Seek returns on investment within reasonable risk parameters.

### The purpose of the Fund is to:

- Pay pensions, lump sums and other benefits to scheme members as provided under the Regulations;
- Meet the costs associated in administering the Fund;
- Receive contributions, transfer values and investment income; and
- Accumulate and invest money received, and facilitate the management of this.

## Funding objectives

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.

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 stable as possible, with consideration of the long-term cost efficiency objective;
- Ensure that pension benefits can be met as and when they fall due over the lifetime of the Fund; and
- Ensure the solvency of the Fund; and
- Ensure effective and efficient management of each employer's liabilities.

## Key parties

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

### The administering authority

The administering authority for the Pension Fund is Dorset County Council. The main responsibilities of the administering authority are to:

- Operate the Fund;
- Collect and account for employee and employer contributions, investment income and other amounts due to the Fund as stipulated in the Regulations;
- Invest the Fund's assets ensuring sufficient cash is available to meet liabilities as and when they become due;
- Pay the benefits due to Scheme members as stipulated in the Regulations;
- Take measures as set out in the Regulations to safeguard the Fund against the consequences of employer default;
- Manage the actuarial valuation process in conjunction with the Fund Actuary;

- Prepare and maintain this FSS and also the ISS after consultation with other interested parties;
- Monitor all aspects of the Fund's performance;
- Prepare the Fund accounts;
- Effectively manage any potential conflict of interest arising from its dual role as both Fund administrator and Scheme Employer; and
- Enable the Local Pension Board to review the valuation process as they see fit.

### Individual employers

In addition to the administering authority, a number of other employers, including admission bodies, participate in the Fund. The responsibilities of each 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;

- Develop a policy on certain discretions and exercise those discretions as permitted under the Regulations;
- Meet the costs of any augmentations or other additional costs, particularly in respect of early retirement strains, in accordance with agreed policies and procedures; and
- Pay any exit payments due on ceasing participation in the Fund.

### **Scheme members**

Active scheme members are required to make contributions into the Fund as set by the Department of Communities and Local Government.

### **Fund Actuary**

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

- Prepare valuations, including the setting of employers' contribution rates at a level to ensure Fund solvency and long-term cost efficiency, after agreeing assumptions with the administering authority and having regard to the FSS and the Regulations;
- Advise interested parties on funding strategy and completion of actuarial valuations in accordance with the

FSS and the Regulations;

- Prepare advice and calculations in connection with bulk transfers and individual benefit-related matters;
- Prepare advice and valuations on the exiting of employers from the Fund;
- Provide advice to the administering authority on bonds or other forms of security against the financial effect on the Fund of employer default;
- Assist the administering authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the Regulations;
- Ensure that the administering authority is aware of any professional guidance or other professional requirements which may be of relevance to his or her role in advising the Fund; and
- Advise on other actuarial matters affecting the financial position of the Fund.

### **Funding strategy**

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.

The funding strategy seeks to achieve (via employee and employer contributions and investment income) two key objectives:

- A funding level of 100%, as assessed by the Fund's appointed actuary, triennially, in accordance with the Regulations; and
- As stable an employer contribution rate as is practical, with consideration of the long-term cost efficiency objective.

The funding strategy recognises that the funding level will fluctuate with changing levels of employment, retirements and investment income, and the employer contribution has to be adjusted to a level sufficient to maintain the pension scheme's solvency and to achieve a funding level of 100% over the longer term.

The actuarial valuation involves a projection of future cashflows 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.

The most recent actuarial valuation was carried out as at 31 March 2016 with the assets of the Fund found to represent 83% of the accrued liabilities for the Fund, corresponding to a deficit of £452m.

The primary rate required to cover the employer cost of future benefit accrual was 15.6% of payroll p.a.

A summary of the methods and assumptions adopted is set out in the sections below.

### **Funding method**

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.

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 staff 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.

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 assumed 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 and pensions in payment. A funding level in excess of 100% indicates a surplus of assets over liabilities; while a funding level of less than 100% indicates a deficit; and
- The future service funding rate (also referred to as the primary rate as defined in Regulation 62(5) of the Regulations) which is the level of contributions required from the individual employers which, in combination with employee contributions is assumed to support

the cost of benefits accruing in future.

The key feature of this method is that, in assessing the future service cost, the primary contribution rate represents the cost of one year's benefit accrual.

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 a specific period, such as the length of a contract or the remaining expected working lifetime of active members.

The amounts that the employer then pays are a combination of the future service cost described above and any adjustments for the past service surplus or deficit. If there is a deficit, this adjustment will be specified as an additional contribution expressed as either a percentage of pay or as a cash amount to be paid in future.

### **Valuation assumptions and funding model**

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.

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**

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 (RPI). The RPI assumption adopted as at 31 March 2016 was 3.3% p.a.

### **Future pension increases**

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. A deduction of 0.9% p.a. is therefore made to the RPI assumption to derive the CPI assumption. The CPI assumption adopted as at 31 March 2016 was 2.4% p.a.

### **Future pay inflation**

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. The long-term pay increase assumption adopted as at 31 March 2016 was CPI plus 1.5%, with a short-term assumption in line with CPI for the period to 31 March 2020. An allowance has also been made for promotional increases.

### **Future investment returns/discount rate**

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.

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

The discount rate that is applied to the projected liabilities reflects a prudent estimate of the rate of investment return that is assumed 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. The discount rate adopted for the 31 March 2016 valuation was 5.4% p.a. For some 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.

The Fund Actuary will incorporate such an adjustment after consultation with the administering authority.

The adjustment to the discount rate for employers may be set to 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

if the Fund do not believe that there is another Scheme employer to take on the responsibility of the liabilities after the employer has exited the Fund. The aim is to minimise the risk of deficits arising after the termination date.

### **Asset valuation**

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**

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.

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

### **Deficit recovery periods**

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.

Where the actuarial valuation discloses a significant deficit then the levels of required employers' contributions will include an adjustment to fund the deficit over a period of years.

The deficit recovery period for each employer will depend upon the significance of the 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' contribution.

At the 2016 valuation, a maximum deficit recovery period of 22 years is used for all employers. Shorter recovery periods have been used where affordable. This will provide a buffer for future adverse experience and reduce the interest cost paid by employers. For Transferee Admission Bodies the deficit recovery period is set equal to the remaining

contract period if this is known. Where an employer's contribution has to increase significantly then, if appropriate, the increase may be phased in over a period not exceeding 3 years.

Deficit contributions required from an employer are expressed as a minimum requirement, with employers able to pay regular contributions at a higher rate, or one-off contributions, to reduce their deficit. Employers should discuss with the administering authority before making one-off capital payments.

### **Pooling of individual employers**

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.

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.

Currently there are the following pools within the Fund:

- Dorset County Council;
- Bournemouth Borough Council;
- Borough of Poole;
- Small scheduled bodies;
- Small admitted bodies;
- Academies;
- SLM Poole.

There are also a number of connected employers within the Fund. Connected employers are those where we understand that the organisation controls all of the employers or has responsibility for all the pension obligations. Examples include parent/subsidiaries or former Transferee Admission Bodies who have ceased to participate where the legacy liabilities have been passed back to the Letting Authority. In these instances, the contribution rate has been determined as a pooled rate.

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.

### **Cessation valuations**

When an employer leaves the Scheme and becomes an exiting employer, 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 an immediate exit payment, 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.

In certain circumstances, if it is not possible for all or part of the exit payment to be obtained from the ceasing employer, it may be possible for the exit payment to be paid over a period which the administering authority considers reasonable.

In assessing the deficit on cessation, the Fund Actuary may adopt a “minimum risk” discount rate based on gilt yields and adopt different assumptions to those used at the previous valuation. For example, this is likely to apply in instances where there is no employer in the Fund taking responsibility for any residual liabilities of the ceasing employer. This is 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.

### **Early retirement costs**

The funding basis makes no allowance for premature retirement except on grounds of ill health. Employers are required to pay additional contributions wherever an employee retires before attaining the age at which the valuation assumes that benefits are payable. The calculation of these costs is carried out with reference to a calculation method approved by the Fund Actuary.

### **Links with the Investment Strategy Statement (ISS)**

The main link between the FSS and the ISS relates to the discount rate that underlies the funding strategy as set out in the FSS, and the assumed rate of investment return which is assumed to be achieved by the underlying investment strategy as set out in the ISS.

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

### **Risks and counter measures**

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.

The major risks to the funding strategy are financial, although there are other external factors including demographic risks, regulatory risks, and employer risks.

### **Financial risks**

The main financial risk is that the actual investment strategy fails to produce the assumed 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 assumed and/or the fund managers who are employed to implement the chosen investment strategy failing to achieve their performance targets.

The valuation results are most sensitive to the real discount rate. Broadly speaking an increase/decrease of 0.5% p.a. in the real discount rate will decrease/increase the liabilities by 10%,

and decrease/increase the required employer contribution by around 2.5% of payroll.

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.

The Committee may also seek advice from the Fund Actuary on valuation related matters.

In addition, the Fund Actuary provides funding updates between valuations to check whether the funding strategy continues to meet the funding objectives.

### **Demographic risks**

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%.

The actual mortality of pensioners in the Fund is monitored by the Fund Actuary at each actuarial valuation and assumptions are kept under review.

The liabilities of the Fund can also increase by more than has been planned as a result of early retirements.

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.

### **Regulatory risks**

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.

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.

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.

### **Employer risks**

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;
- An employer ceasing to exist without having fully funded their pension liabilities; and
- New employers being created out of existing employers.

However, the administering authority maintains dialogue with participating employers and monitors the position of employers participating in the Fund, particularly those which may be susceptible events that could affect the long-term financial health of an employer, with particular emphasis on

their continued ability to support their obligations to the Fund, and takes advice from the Fund actuary when required.

In addition, the administering authority keeps individual employers briefed on funding and related issues.

### **Monitoring and review**

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.

The administering authority also monitors the financial position of the Fund between actuarial valuations and may review the FSS more frequently if necessary.

## Appendix 5 Communication Policy Statement

### Introduction

The Dorset County Pension Fund currently has 297 scheme employers and 25,068 active members as at 31 March 2019. 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.

### 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

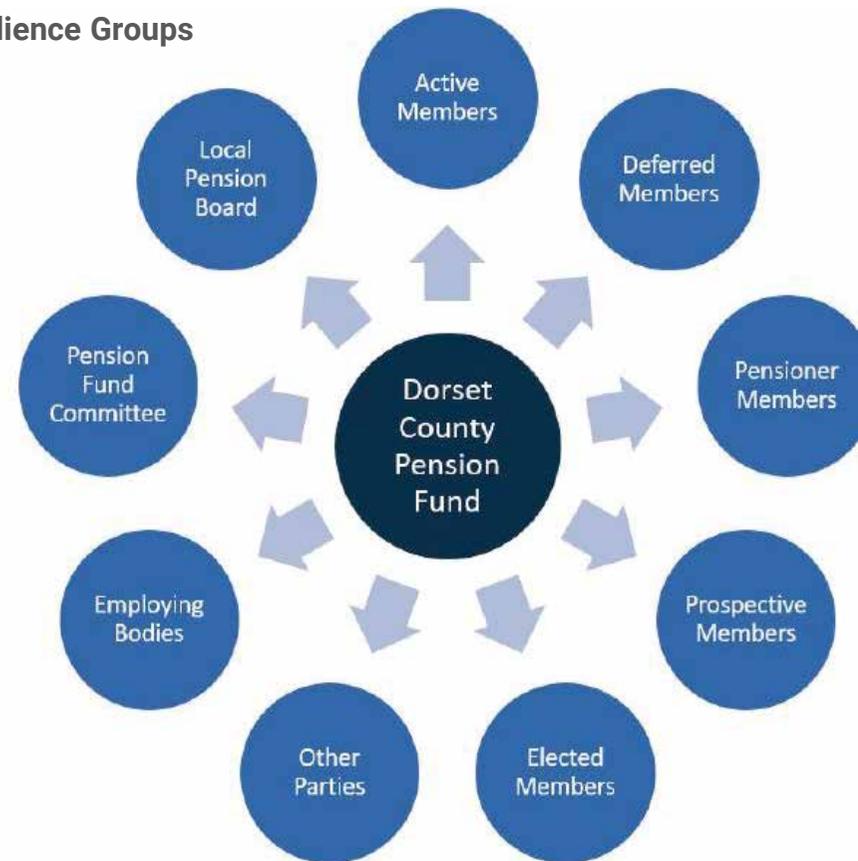
#### Annual Benefit Statements

These are issued to our members by 31 August. Feedback from our members about our statements has helped us improve our procedures for this process. All active members are entitled to one further estimate of benefits per rolling year, in addition to the Annual Benefit Statement. If the member requests a further estimate with a 12 month period there will be a charge of £50 + VAT levied.

#### Employee Newsletters

A newsletter is issued annually to keep members up to date with proposed

### Our Key Audience Groups



changes to the scheme and any other relevant details. Further newsletters are sent to members highlighting issues of importance, such as changes in scheme regulation or operation as any issues arise.

#### Pension Fund Publications Information

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

#### Annual Report

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

### **Pension Fund Website**

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

### **My Pension Online**

Active members are able to check their pension account online, estimate future benefits and update their address and pension death grant nomination  
<https://www.mypension.dorsetcc.gov.uk>

### **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@dorsetcouncil.gov.uk](mailto:pensionshelpline@dorsetcouncil.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.

#### **Pension Fund Website**

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

#### **My Pension Online**

Active members are able to check their pension account online, update their address and pension death grant nomination  
<https://www.mypension.dorsetcc.gov.uk>

### **Deferred Scheme Members**

#### **Deferred Annual Benefit Illustration**

These are issued to our deferred members annually.

#### **Pension Fund Website**

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

#### **My Pension Online**

Active members are able to check their pension account online, estimate future benefits and update their address and pension death grant nomination  
<https://www.mypension.dorsetcc.gov.uk>

### **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.

#### **Pension Fund Website**

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

### **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. The LGPS is now closed to Elected Members.

### **Scheme Employers**

#### **Employers Website**

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

Employers Section:

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

#### **Email Contact List**

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

There is a dedicated email address ([lgpsemployers@dorsetcouncil.gov.uk](mailto:lgpsemployers@dorsetcouncil.gov.uk)) for employers to use when contacting the Employer Relationship and Communications Team.

### **Your Fund**

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

Your Fund Home Page:

<https://dorset.yourfund.org.uk>

#### **Employer's Newsletters**

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

#### **Pension Liaison Officer Group Meetings**

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

#### **Individual Employer Meetings**

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

### **Presentations**

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

#### **Employer Meeting**

An employers meeting is held annually 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.

#### **Employer Relationship and Communications Team**

There is a team dedicated to employers and communications, this team consists of a manager and an officer. 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 Pensions Manager is a member of the Financial Services Management Team and attends regular meetings convened by the Executive Director of Corporate Management. The Pensions Manager is able to bring any matters of concern / importance to the attention of the Executive Director of Corporate Management 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.

#### Brunel Pension Partnership

Brunel Pension Partnership (Brunel) is one of eight national LGPS pools, bringing together circa £30 billion investments of 10 likeminded funds. Brunel helps manage the investments for the Dorset County Pension Fund.

### Pension and Lifetime Saving Association (PLSA)

The Fund is a member of the PLSA, and officers regularly attend national and regional events to keep up to date with all pension related matters.

### 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, the Pensions Regulator, Secretary of State and MCHLG 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 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](http://www.yourpension.org.uk/Dorset/Investments/Strategy-Valuation)

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.

## Pension Board

With effect from 1 April 2015 Dorset County Pension Fund (DCPF) has created a Local Pension Board.

The function of the Local Pension Board as defined by sections 5 (1) and (2) of the Public Service Pensions Act 2013 is to:

- assist the Scheme Manager;
- to secure compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS;
- to secure compliance with requirements imposed in relation to the LGPS by the Pensions Regulator;
- in such other matters as the LGPS regulations may specify;
- secure the effective and efficient governance and administration of the LGPS for the DCPF; and
- provide the Scheme Manager with such information as it requires to ensure that any member of the Local Pension Board or person to be appointed to the Local Pension Board does not have a conflict of interest.

The Local Pension Board also help ensure that the DCPF is managed and

administered effectively and efficiently and complies with the Public Service Pension Act 2013 on the governance and administration of public pension schemes and with due regard to guidance issued by government, The Pensions Regulator and the LGPS Scheme Advisory Board.

The Local Pension Board of the Dorset County Pension Fund consists of 3 member representatives and 3 employer representatives and meets at least 2 times a year.

## 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 & Factsheets	✓	✓	✓	Constantly available	Annually
Pensioner Forms & 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 & 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;

- improved general information on the pension scheme on our website;
- feedback buttons added to all emails.

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;
- paper based feedback form provided at presentations;
- tear out form in all Annual Benefit Illustrations.

## General Data Protection Regulations (GDPR)

Dorset Council as the administering authority of the Local Government Pension Scheme and the Dorset County Pension Fund values the privacy of those who provide personal data to it. We collect and process personal data

in accordance with our Privacy Notice. A copy of the Privacy Notice can be accessed here.

**[www.yourpension.org.uk/Dorset/Accessibility/Privacy-and-Cookie-Policy.aspx](http://www.yourpension.org.uk/Dorset/Accessibility/Privacy-and-Cookie-Policy.aspx)**

The Privacy Notice describes what information we collect and how we use it. For more information about how we process personal data, please contact the Dorset County Pension Fund using the contact details set out in the Privacy Notice.

## Contact Details

### Write to us at:

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

**Tel:** 01305 224845

**Fax:** 01305 224049

### Email:

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

### Web:

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

## Appendix 6

### UK Stewardship Code Principles - Statement of Compliance

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 Investment Strategy Statement (ISS). The Fund's policy is to apply the Code both through its arrangements with its asset managers and through membership of the Local Authority Pension Fund Forum (LAPFF).

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

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

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

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

Day to day responsibility for managing the Fund's equity holdings is delegated to the appointed asset managers, and the Fund expects them to monitor companies, intervene where necessary, and report back on activity undertaken. Asset Managers report to the Pension Fund Committee and meet with officers regularly to discuss activity. The Dorset Fund uses membership of the LAPFF to keep informed of potential issues of concern at individual companies and across the market, and regular reports are received from the LAPFF. Officers attend meetings of the LAPFF at least annually to keep up to date with the forum's activities.

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

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

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

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

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

The Dorset Fund exercises all votes attaching to its UK equity holdings, and seeks to vote where practical in overseas markets. Responsibility for the exercise of voting rights has been delegated to RREV (Research, Recommendations,

Electronic Voting) in the UK, and to Fund Manager Pictet Asset Management in respect of overseas markets. This includes consideration of company explanations of compliance with the Corporate Governance Code. Votes are exercised in accordance with the Fund's Voting Policy, however it is possible for Officers to override the vote of RREV to support the actions of the LAPFF. Real Time reports are available detailing how votes have been cast.

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

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

## Appendix 7

### Voting Issues Policy

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

### Summary of Voting for the year ended 31 March 2019

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 on page 151 of this report. To manage the voting process Proxy Voting services are provided by ISS for the UK equity portfolio and by Allianz (to July 2018), Investec and Wellington, the Fund's global equities managers.

1.2 The Fund is also a member of the Local Authority Pension Fund Forum (LAPFF) which researches into areas of corporate governance, and social responsibility. It is possible to override any decision made by ISS in light of information which may be received from the LAPFF.

1.3 The Voting Policy of the Dorset Fund applies to those assets managed in segregated accounts by the Internal Manager (to July 2018), Allianz (to July 2018), Investec and Wellington. However, the equities managed by AXA Framlington (to November 2018) and Schroders in the UK, and JPMorgan in emerging markets, are held in Pooled Funds and are subject to the voting policies of each individual manager. Corporate Governance and Voting Policies for each pooled manager have been obtained. These seek to protect shareholder interest, setting out voting policy in a number of areas which include strategy, integrity, management, use of capital, remuneration, mergers and acquisitions and reporting. Each policy complies with the Combined Code on Corporate Governance.

1.4 During the year to 31 March 2019, there were 4,377 individual votes on the UK portfolio, and ISS voted against 91 and abstained on 13 of the resolutions during this period. A summary of the Fund's UK voting activity for the year ended 31 March 2019 is shown on page 152 in this report. In addition, there were 4,727 individual votes on the global equities portfolio, and the Fund's managers voted against 304 and abstained on 23 of the resolutions during this period.

1.5 Typical reasons for voting against a resolution include non-independence of directors who are required to be independent for their duties, inappropriate remuneration packages, undemanding targets, and share issues to majority shareholders or groups of shareholders without making a general offer to other shareholders.

1.6 During the twelve months ended 31 March 2019 for the UK portfolio there were 39 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, a non-executive director at one company as well as a director at six other companies (e.g. British American Tobacco) and a non-executive director being a Chief Financial Officer at two other companies (IWG Plc).

1.7 In addition, there were 54 votes against, or abstention from, resolutions relating to salary and compensation schemes. The main reasons for voting against the remuneration reports were due to the performance and retention awards to two executives at Aveva Group.

1.8 Each pooled manager was asked for details of voting activity in the year 2018-19, examples of instances in which they had concerns about companies in which the fund held shares, and how these concerns were addressed. They were also asked whether they were collaborating with other investors in respect of these issues, and details of responses are included on page 152 to this report.

## Voting Issues Policy

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

This summary concerns 257 Individual Company meetings at which there were 4,377 Proposed Resolutions.

### Market Breakdown

Market	Votable Meetings	Voted Meetings	Percentage
Bermuda	2	2	100%
Cayman Islands	3	3	100%
Gibraltar	1	1	100%
Guernsey	12	12	100%
Ireland	5	5	100%
Isle of Man	3	3	100%
Jersey	12	12	100%
Netherlands	1	1	100%
Spain	1	1	100%
Switzerland	1	1	100%
United Kingdom	216	216	100%
<b>Total</b>	<b>257</b>	<b>257</b>	

Proposal	Voted For	Voted Against	Abstained	Total Votes
Takeover/Reorganisation/Merger/Disposal	206	1	0	207
Capitalisation/Share Capital	860	4	0	864
Directors	1,909	30	9	1,948
Salary and Compensation	304	50	4	358
Environmental, Social and Governance	0	0	0	0
Routine/Business	994	6	0	1,000
<b>Total</b>	<b>4,273</b>	<b>91</b>	<b>13</b>	<b>4,377</b>

### 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 and 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. Please find below three examples of engagements from the past 12 months (1 April 2018 to 31 March 2019).

**Air Partner** – We engaged with Air Partner to discuss their new remuneration policy, which they had introduced on the back of the introduction of the new UK Corporate Governance Code. We explained that we were unable to support the policy in its current form as the performance period of the Long Term Incentive Plan was only 3 years. Our policy states that this should be at least 5 years for UK companies to ensure the long term performance of the company is aligned with shareholders. We also expressed our concern that the new policy did not include post-employment holding periods. We advised

the company that we will not be able to support this resolution at their upcoming AGM if they do not make positive changes to the policy before then.

**Superdry** – Following a period of poor share price performance, Julian Dunkerton, the former Founder/CEO of Superdry put forward a resolution to reappoint himself on to the Superdry board at the company’s AGM. We held a number of calls with both the current management team at Superdry and Julian before making our voting decision. After considering the discussions we had with both parties and given our concerns with a series of decisions by the current management, we supported the election of Julian to the board. This resolution consequently passed at the AGM and Julian has been re-elected to the Board. We look forward to continuing our discussions with the Superdry Board going forwards.

**Zotefoams** – Zotefoams contacted us to discuss the proposed increase in salary of their CEO and CFO by around 30%. We expressed our concern that the salaries of these executives have been increasing excessively over the past few years and these increases were not in line with the wider workforce. The company went away and considered our feedback, along with

that of other investors. They came back to us with a new proposal which would see a phasing of the proposed increases to base salary. The remuneration committee decided to weight the increase towards the first year to reflect the calibre of the Executive Directors, the growth they have delivered, the scope of their roles, and the risks that uncompetitive remuneration arrangements pose to the timely and successful execution of their strategy. The salary increase for the second year will be subject to continued strong performance by the executives and the Group. Zotefoams have also confirmed that future pay reviews will be in line with those of the wider work force during the next policy period. Given the positive changes and our support of the work of management, we felt able to support the salary increase for this year and will continue our engagement with the company ahead of the second incremental increase next year.

#### **AXA Investment Managers**

##### **Summary of Voting year ended 31 March 2019**

Voting at company meetings is an important part of the dialogue between a company and its shareholders, and, as asset managers, it is a fundamental aspect of our fiduciary duty towards our clients. During 2018-19 AXA Investment Managers voted at 5,932 General Meetings globally

and voted against or abstained on at least one resolution at 2,467 General Meetings, a dissent rate of 42% relative to the recommendations of company boards.

At the fund level, we voted on 961 individual resolutions proposed at 65 General Meetings. The voting summary is as follows:

#### **Summary of Engagement**

AXA Investment Managers hold regular discussions with the board and management of investee companies as part of the regular investor relations programme. We also hold additional engagement and monitoring meetings with investee companies in line with our responsibility to be good stewards of companies held on our clients’ behalf. These meetings are an opportunity to discuss and clarify any emerging concerns including on environmental, social and governance matters in line with our Responsible Investment approach.

Our engagement priorities during the relevant period include:

- **Engagement on Carbon and Climate Risks:** We continue our engagement with relevant companies in the Oil and Gas, Mining and Utilities sector on their climate change strategy directly and also as part of a collaborative initiative,

- Climate Action 100+, engaging with systematically important emitters.
- **Climate Lobbying:** We have been engaging with companies with respect to their corporate lobbying actions around climate change. We engaged with companies which appeared to have two incompatible positions – supporting the goals of the Paris Climate Agreement whilst simultaneously funding lobbying associations undermining regulation designed to help reach Paris goals. As such, we have pushed companies to be more transparent and committing to lobbying positively in line with the Paris Climate Agreement
- **UN Global Compact Engagement:** We 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.
- **Diversity:** We strongly believe that the ability of a board to adequately conduct its oversight responsibilities depends on it having the right mix of directors with relevant skills, backgrounds and experience. This naturally points to the important benefits that diversity can have on the long-term success of

companies. We have been engaging with boards to promote diversity, both at the leadership level and throughout the company.

Discussing diversity is now a standard agenda item and the tone regarding diversity issues, particularly in terms of gender representation at board level, is very positive. While we will continue to push for diversity at board level, we understand that gender diversity should also include internal progression within companies to combat the hourglass effect. This is where there is a broad gender balance at the bottom of an organisation but decreases up the hierarchy of senior management, before improving again at board level

– but only in response to shareholder engagement or regulatory changes. A further evolution of our policy on diversity is to use our voting rights to push for increased gender diversity at board level.

### AXA Framlington Voting Tables

Meeting Type	Total Meetings
Annual General Meetings	58
Special Meetings	7
Court	0
<b>Total</b>	<b>65</b>

Proponent	Total Resolutions
Management	960
Shareholder	1
<b>Total</b>	<b>961</b>

Proposal	Voted For	Voted Against	Abstained	Total Votes
Accounts and Auditors	156	0	0	156
Meeting Formalities	2	0	0	2
Articles of Association	12	0	0	12
Dividends	41	0	0	41
Capitalisation/ Share Capital	205	0	0	205
Directors	401	3	4	408
Environmental Issues (Shareholder Resolutions)	1	0	0	1
Remuneration	69	3	0	72
Reorganisation/Merger/Disposal	5	0	1	6
Routine/Business	58	0	0	58
<b>Total</b>	<b>950</b>	<b>6</b>	<b>5</b>	<b>961</b>

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

Company	Issue	Action
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.
ECO Animal Health Group Plc	Board	Engagement with the Company on the evolution of the composition of the Board, as the company continues to grow.
Royal Dutch Shell 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	Engagement on the company's remuneration policy and practices and alignment with long-term shareholder interests.
ITV	Remuneration	Engagement on the company's remuneration policy and practices and alignment with long-term shareholder interests.
Elementis	Board	Discussion with the Company on the evolution of the composition of the Board.
London Stock Exchange Group	Gender Diversity	Discussion on the company's commitments to gender diversity.

## Appendix 8 Risk Management

Risk management is the process of identifying risks, evaluating their likelihood and potential impact and determining the most effective methods of controlling or responding to them. Risk management is an integral element of managing the Pension Fund. The Pension Fund has a risk register which identifies the major risks associated with managing the Fund. This is reviewed by the Pensions Committee annually, and new or changed risks are reported at each quarterly meeting.

A Risk Register is compiled and reviewed annually in regard to the scheme administration and governance. Key risks identified and actions taken to mitigate those risks are;

- Data Protection & Cyber Security (Administration staff and systems) - Compulsory annual training, the department is covered by the policies in place to cover this by Dorset Council;
- Data Quality (administration) - Data Quality and Improvement plan in place;
- Local Pension Board - Knowledge and skills - Training log and programme;
- Administration staff - knowledge and skills - training programme and qualifications.

The following table highlights the key risks and how they are managed. The measures that it has in place to control key risks are summarised below under the following headings:

- Financial Risks;
- Workforce Risks; and
- Other Risks.

### Pension Fund Risk Register

	Financial	Strategic Priorities and Opportunities	Health and Safety	Reputational	Criticality of Service
<b>High</b> i.e. a greater than 20% chance of:	Potential to cause significant damage or seriously weaken the survival of the Fund	Major impact (positive or negative on a strategic priority)	Fatality or major injury/illness (long term incapacity / disability)	Sustained/long term media attention	Unable to deliver critical services (levels one and two)
<b>Medium</b> i.e. a greater than 20% chance of:	Reasonable impact in a single financial period or in the short-term but can be contained	Moderate impact (positive or negative on a strategic priority)	Moderate injury or illness (including other RIDDOR reportable incidents)	Short to medium term impact on public memory (affecting more than one ward)	Unable to deliver critical services (level three)
<b>Low</b> i.e.	Negligible / minor impact	Minor/negligible impact (positive or negative) on a strategic priority	Potential for minor injury/illness (requiring minimal intervention or treatment)	Short to medium term impact on public memory (affecting one ward) / minor complaints or rumours	Minor disruption to service delivery

In using this matrix, you should consider the extent of impact across each of the 5 impact headings. If there is a 20% chance or more of any of the impacts in the top row occurring based on the current controls identified, it should be recorded as "High". If less than 20% it would drop to medium (with the same principle applying to the middle row).

No	Risk Description	Risk Status Open or Closed	Risk Lead	Date Identified	Current Controls How do we currently manage this risk?	Current Risk High / Medium / Low	Movement Since Last Review Improving / Deteriorating / No Change	Is the current level of risk acceptable? i.e. Yes or No, based on the current controls	Any Issues to Highlight Since Last Review?	Further actions identified to achieve an acceptable level of risk	Target Date for further actions
<b>A) Financial Risks</b>											
A01	Treasury Management and the Risk of Financial Default of Partners and Counterparties	Open	Fund Administrator	Oct-11	See detailed Corporate Risk Register entry.	Medium	No Change	Yes		Continual monitoring of treasury management policy and routine monitoring of business critical counter parties.	On-going
A02	Increasing Longevity of Members, with the potential to mean that the liabilities will continue to be greater than the assets of the Fund.	Open	Fund Administrator	Oct-11	Controlled at a National Level by changes to the scheme benefits and contribution levels. Locally by ensuring the actuarial valuations are realistic and factor in the changes so the Fund remains sustainable.	Medium	No Change	Yes		Encourage sign up to the Fund of new members by adopting policies such as auto enrolment and communications strategy to maintain membership of active members.	On-going
A03	Excessive Inflation increases Member Benefits	Open	Fund Administrator	Oct-11	Invested in Liability Driven investments to hedge inflation risk to offset some of the impact of high inflation.	Medium	No Change	Yes		Further expansion of LDI mandate and investment in inflation proofed asset classes such as infrastructure and certain property investments.	On-going
A04	Failure to track the FTSE 350 index	Open	Fund Administrator	Oct-11	Incorrect transactions would be picked up during the day; regular monitoring; quarterly reporting to Pension Fund Committee; balancing procedures; staffing cover.	Medium	No Change	Yes	Investment in passively managed UK equities will be considered for transfer to the Brunel Pensions Partnership (BPP).	Consider the use of Bloomberg to allow live analysis of the tracking error of portfolio.	On-going
A05	Failure to comply with accounting standards	Open	Fund Administrator	Oct-11	Keeping up with changes to the Code, attendance of CIPFA training events, developing cover within the team.	Low	No Change	Yes		None	On-going

A06	Inadequate governance of the fund	Open	Fund Administrator	Oct-11	CIPFA governance statement, undertaken by independent observer; LGPS statement; Local Pension Board	Low	No Change	Yes	The establishment of BPP with effect from April 2018 will impact on governance arrangements.	On-going review of strategies and governance arrangements including Pension Board and the Pensions Regulator.	On-going
A07	Failure to produce the expected rate of investment return	Open	Fund Administrator	Oct-11	Pension Fund Committee monitor investment returns achieved by fund managers; diverse investment strategy	High	No Change	Yes	Transition costs associated with the establishment of BPP may impact on investment returns.	Continuous monitoring of performance and risk, and regular reviews of strategy to ensure best fit.	On-going
A08	Loss of funds through fraud or misappropriation	Open	Fund Administrator	Oct-11	Internal and External Audit; Assurance that current systems provide appropriate level of internal control; reporting and monitoring; reporting to Audit & Scrutiny Committee; policies and procedures	Low	No Change	Yes	The establishment of BPP will require revised protections against fraud or misappropriation of funds.	Continual review of potential exposures	On-going
<b>B) Workforce Risks</b>											
B01	Health and safety of staff	Open	Fund Administrator	Oct-11	Work station assessments; PDR trigger interviews; absence management; DCC health & safety policies	Low	No Change	Yes		None	
B02	Failure to recruit, develop and retain suitably skilled staff. There is also a requirement to ensure that Committee members and Board members are appropriately trained to undertake their duties effectively.	Open	Fund Administrator	Oct-11	Access to Management Development / Training; PDR; structure review	Low	No Change	Yes	The establishment of BPP should ensure greater resilience against the loss of key staff re. investments.	Training / development to support this risk, where appropriate, via PDRs; Work shadowing and ensure staff have ability to cover in the absence of key people; Ensure appropriate succession & resilience planning for key people risks	On-going

B03	Failure to maintain the balance between workload and staff capacity	Open	Fund Administrator	Oct-11	Service planning and PDR process; continual review of workloads within teams; additional posts can be funded from pension fund where particular capacity demands are identified, at the approval of the Pension Fund Administrator	Low	No Change	Yes		Review potential for secondments etc. to meet particular areas where capacity is stretched.	On-going
<b>C) Other Risks</b>											
C01	Inability to provide service, due to a loss of Council facilities (IT; building) or staff	Open	Fund Administrator	Oct-11	Business continuity plans maintained for critical services; Nat West Banking facilities can be accessed from home/ remotely; contact numbers held for the team. Disaster recovery in place for Altair	Low	No Change	Yes		Regular review of business continuity plans. Corporate business continuity plans.	
C02	Poor services, or perception of poor service	Open	Fund Administrator	Oct-11	Service planning and PDR process; external audit; internal audit reviews; processes and procedures	Low	No Change	Yes		None	
C03	Secure management and handling of confidential and/or personal information	Open	Fund Administrator	Oct-11	Data awareness guidance promoted corporately; secure email; secure payments portal to actuary	Medium	No Change	Yes		Ensure all appropriate team members undertake the Data Protection training	On-going
C04	Enforced restructuring of Pension Funds nationally, or enforced pooling of investments, revised governance regulations.	Open	Fund Administrator	Sep-15	Proactive membership of national groups and attendance at national meetings to influence policy.	Medium	Improving	Yes	The Fund is meeting the requirement to pool investments through its membership of BPP. The project to establish BPP has its own extensive risk controls in place.	Officers and members engaging at local, regional and national level to attempt to inform and influence government policy.	On-going





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

September 2019