

# DORSET COUNTY PENSION FUND ACCOUNTS

2020/21		FUND ACCOUNT		2021/22	
£'000	£'000		Note	£'000	£'000
		<b>Dealings with members, employers and others directly involved in the Fund</b>			
	<b>134,548</b>	<b>Contributions</b>	<b>7</b>		<b>139,798</b>
105,446		Employer contributions		109,864	
29,102		Member contributions		29,934	
	<b>8,612</b>	<b>Transfers in from other pension funds</b>	<b>8</b>		<b>22,524</b>
	<b>143,160</b>	<b>Total additions from dealing with members etc.</b>			<b>162,322</b>
	<b>(131,431)</b>	<b>Benefits</b>	<b>9</b>		<b>(133,759)</b>
(110,372)		Pensions		(114,379)	
(17,342)		Commutation and lump sum retirement benefits		(16,277)	
(3,717)		Lump sum death benefits		(3,103)	
	<b>(7,773)</b>	<b>Payments to and on account of leavers</b>	<b>10</b>		<b>(5,633)</b>
(325)		Refunds of contributions		(439)	
(7,448)		Transfers to other pension funds		(5,194)	
	<b>3,956</b>	<b>Net additions/(withdrawals) from dealings with members and others</b>			<b>22,930</b>
	<b>(13,085)</b>	<b>Management expenses</b>	<b>11</b>		<b>(15,574)</b>
	<b>(9,129)</b>	<b>Net additions/(withdrawals) including Fund management expenses</b>			<b>7,356</b>
	<b>17,419</b>	<b>Investment Income</b>	<b>12</b>		<b>16,228</b>
	<b>(56)</b>	<b>Taxes on income</b>			<b>(10)</b>
	<b>629,175</b>	<b>Profit/(loss) on disposal of investments and changes in the value of investments</b>			<b>329,236</b>
	<b>646,538</b>	<b>Net return on investments</b>			<b>345,454</b>
	<b>637,409</b>	<b>Net increase/(decrease) in assets available for benefits during the year</b>			<b>352,810</b>
	<b>2,713,581</b>	<b>Opening net assets of the fund 1 April</b>			<b>3,350,990</b>
	<b>3,350,990</b>	<b>Closing net assets of the fund 31 March</b>			<b>3,703,800</b>

# DORSET COUNTY PENSION FUND ACCOUNTS

NET ASSETS STATEMENT				
31 March 2020			31 March 2021	
£'000	£'000	Note	£'000	£'000
	<b>768</b>	<b>Long term investments</b>		<b>838</b>
768		Brunel Pension Partnership Ltd	838	
	<b>3,339,773</b>	<b>Investment assets</b>		<b>3,693,622</b>
-		UK equities (quoted)	-	
52		Overseas equities (quoted)	59	
2,894,459		Pooled investment vehicles	3,210,018	
96,102		Private equity	132,224	
260,716		Property	274,308	
87,696		Cash & cash equivalents	72,664	
(670)		Derivative contracts	3,108	
1,418		Other investment assets	1,241	
	-	<b>Investment liabilities</b>		-
-		Other investment liabilities	-	
	<b>3,340,541</b>	<b>Total net investments</b>		<b>3,694,460</b>
	-	<b>Long term debtors</b>		-
-		Other long term debtors	-	
	<b>16,030</b>	<b>Current assets</b>		<b>13,992</b>
8,766		Contributions due from employers	10,732	
7,264		Other current assets	3,260	
	<b>(5,581)</b>	<b>Current liabilities</b>		<b>(4,652)</b>
(550)		Unpaid benefits	(928)	
(5,031)		Other current liabilities	(3,724)	
-		Deferred income	-	
	<b>3,350,990</b>	<b>Net assets available to fund benefits</b>		<b>3,703,800</b>

# DORSET COUNTY PENSION FUND ACCOUNTS

## NOTE 1. DESCRIPTION OF THE FUND

The Dorset County Pension Fund ("the Fund") is part of the Local Government Pension Scheme (LGPS) and is administered by Dorset Council ("the Council").

### 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 (LGPS) Regulations 2013 (as amended)
- the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- the LGPS (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 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 2021		31 March 2022
<b>320</b>	<b>Total Employers</b>	<b>327</b>
	<b>Employees</b>	
6,316	Administering Authority	7,130
17,068	Other Scheduled Bodies	19,403
<b>1,127</b>	<b>Admitted Bodies</b>	<b>1,117</b>
<b>24,511</b>	<b>Total Employees</b>	<b>27,650</b>
	<b>Pensioners</b>	
9,268	Administering Authority	9,524
13,295	Other Scheduled Bodies	13,850
<b>1,824</b>	<b>Admitted Bodies</b>	<b>1,928</b>
<b>24,387</b>	<b>Total Pensioners</b>	<b>25,302</b>
	<b>Deferred Pensioners</b>	
8,935	Administering Authority	8,839
14,355	Other Scheduled Bodies	14,434
<b>1,535</b>	<b>Admitted Bodies</b>	<b>1,527</b>
<b>24,825</b>	<b>Total Deferred Pensioners</b>	<b>24,800</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 2022. Employers' contributions are set based on triennial actuarial funding valuations. The last such valuation was at 31 March 2019. Currently, employer contribution rates range from 10.0% to 29.0% 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 uprated annually in line with the Consumer Prices Index. A range of other benefits are also provided including early retirement, disability pensions and death benefits, as explained on the LGPS website - see [www.lgpsmember.org](http://www.lgpsmember.org).

## NOTE 2. BASIS OF PREPARATION

The statement of accounts summarise the Fund's transactions for the 2021/22 financial year and its financial position at 31 March 2022. The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on a going concern basis.

## DORSET COUNTY PENSION FUND ACCOUNTS

Paragraph 3.3.1.2 of the Code requires disclosure of any accounting standards issued but not yet adopted. IFRS 16, introduced on 1 January 2019, was originally due to be adopted by the Code for accounting periods commencing on or after 1 April 2022. However, an optional deferral to adopt IFRS 16 from either 1 April 2022, 1 April 2023 or 1 April 2024 has been announced following an emergency consultation for updating the Code. This new accounting standard largely removes the distinction between operating and finance leases by introducing an accounting model that requires lessees to recognise assets and liabilities for all leases with a term of more than 12 months unless the underlying asset is of low value. This will bring assets formerly off-Balance Sheet onto the Balance Sheet of lessees. Implementation of IFRS 16 is not expected to have a material impact on the Fund because it does not hold any assets as a lease.

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.

### **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.

Rental income is recognised on a straight-line basis 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.

# DORSET COUNTY PENSION FUND ACCOUNTS

## **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. Any gains or losses on investment sales 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 17). 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 17 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 the value of 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 legally responsible for that 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 in the net asset statement at the value of the outstanding principal at 31 March each year. Any interest due not yet paid 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 22.

# DORSET COUNTY PENSION FUND ACCOUNTS

## **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 prior to the year-end has created a possible financial obligation whose existence will only be confirmed or otherwise by future events. Contingent liabilities can also arise in circumstances where 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 24).

## **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 20. 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 investment 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 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 21)**

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, Barnett Waddingham, is engaged to provide the Fund with expert advice about the assumptions to be applied.

### **Private equity investments (Note 17)**

Private equity investments are valued at fair value in accordance with International Private Equity and Venture Capital Valuation Guidelines (December 2018) and the Special Guidance issued March 2020 concerning the impact of Covid-19 on valuations. 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 17)**

Valuation techniques are used to determine the carrying values of directly held freehold and leasehold property. Where possible these valuation techniques are based on observable data, otherwise the best available data is used.

## **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). No events after the reporting date have been identified.

# DORSET COUNTY PENSION FUND ACCOUNTS

## NOTE 7. CONTRIBUTIONS RECEIVABLE

By category:

2020/21		2021/22
£'000	Employer contributions	£'000
77,954	Contributions re future service costs	81,650
17,617	Contributions re past service costs (deficit recovery)	18,452
4,020	Voluntary additional contributions	4,359
3,544	Augmentation cost of early retirements	2,121
2,333	Exit payments from employers	3,664
(22)	Exit credits to employers	(382)
<b>105,446</b>	<b>Total employer contributions</b>	<b>109,864</b>
<b>29,102</b>	<b>Member contributions</b>	<b>29,934</b>
<b>134,548</b>	<b>Total contributions receivable</b>	<b>139,798</b>

By type of employer:

2020/21		2021/22
£'000		£'000
39,473	Administering authority	41,192
81,909	Other scheduled bodies	84,338
13,166	Admitted bodies	14,268
<b>134,548</b>	<b>Total contributions receivable</b>	<b>139,798</b>

## NOTE 8. TRANSFERS IN FROM OTHER PENSION FUNDS

Transfers in from other pension funds in 2021-22 included a group transfer of £16.3m in respect of members of the Police and Crime Commissioner for Dorset that transferred from Devon Pension Fund. All other transfers in were individual transfers.

## NOTE 9. BENEFITS PAYABLE

By type of employer:

2020/21		2021/22
£'000		£'000
44,394	Administering authority	45,237
76,131	Other scheduled bodies	77,188
10,906	Admitted bodies	11,334
<b>131,431</b>	<b>Total benefits payable</b>	<b>133,759</b>

## NOTE 10. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

All transfers out to other pension funds were individual transfers.

## NOTE 11. MANAGEMENT EXPENSES

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

2020/21		2021/22
£'000		£'000
2,149	Administrative expenses	2,093
543	Oversight and governance costs	487
10,393	Investment management expenses	12,994
<b>13,085</b>	<b>Total management expenses</b>	<b>15,574</b>

Investment management expenses consisted of:

2020/21		2021/22
£'000		£'000
8,087	Investment management fees	10,649
480	Performance related fees	513
61	Custody fees	27
505	Transaction costs	1,180
873	Transition costs	349
387	Other fees and costs	276
<b>10,393</b>	<b>Total investment management expenses</b>	<b>12,994</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.

# DORSET COUNTY PENSION FUND ACCOUNTS

## NOTE 12. INVESTMENT INCOME

2020/21 £'000		2021/22 £'000
-	Bonds	199
2,938	Equities	23
386	Pooled Investments	3,066
283	Pooled Property Investments	1,499
12,125	Direct Property	11,042
1,344	Private Equity	233
117	Interest from Cash Deposits	-
11	Other Income	1
215	Fee Rebate Income	165
<b>17,419</b>	<b>Total Investment Income</b>	<b>16,229</b>

## NOTE 13. 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 value of each fund's shareholding based on Brunel's most recently audited accounts was £838k (£768k at 31 March 2021).

# DORSET COUNTY PENSION FUND ACCOUNTS

## NOTE 14. INVESTMENT ASSETS

31 March 2021			31 March 2022	
Market Value		Description / Investment Manager	Market Value	
%	£'000		£'000	%
<b>0.00%</b>	<b>0</b>	<b>UK Equities - Quoted</b>	<b>-</b>	<b>0.00%</b>
	0	Wellington	-	
<b>0.00%</b>	<b>52</b>	<b>Overseas Equities - Quoted</b>	<b>59</b>	<b>0.00%</b>
	52	Investec	59	
	0	Wellington	-	
<b>2.90%</b>	<b>96,102</b>	<b>Private Equity</b>	<b>132,224</b>	<b>3.60%</b>
	52,998	HarbourVest	76,893	
	27,849	Aberdeen Standard	22,047	
	5,656	Capital Dynamics Global Secondary Fund V	10,613	
	6,050	Neuberger Berman Private Equity Impact Fund	7,917	
	1,524	Neuberger Berman SCIOP IV	6,706	
	1,948	Ardian LBO Fund	3,571	
	-	Vespa Capital III	2,229	
	78	Summit Eur Growth EQ III SCSP LP	860	
	-	Alpinvest Secondaries Fund VII Limited Partnership	1,388	
<b>7.80%</b>	<b>260,716</b>	<b>Property (directly owned)</b>	<b>274,308</b>	<b>7.40%</b>
	260,716	CBRE Global Investors	274,308	
		<b>Pooled Investment Vehicles:</b>		
<b>5.80%</b>	<b>192,357</b>	<b>Bonds</b>	<b>185,995</b>	<b>5.00%</b>
	192,357	RLAM Corporate Bond Fund	185,995	
<b>10.40%</b>	<b>348,550</b>	<b>UK Equities - Quoted</b>	<b>373,410</b>	<b>10.10%</b>
	74,779	Schroder UK Smaller Companies Equity Fund	71,248	
	107,290	LGIM UK Equity Index (passive)	121,452	
	166,481	Brunel UK Equities	180,710	
<b>40.90%</b>	<b>1,364,900</b>	<b>Global Equities - Quoted</b>	<b>1,455,272</b>	<b>39.40%</b>
	275,104	LGIM Smart Beta Fund (passive)	309,179	
	183,350	LGIM World Developed Equities (passive)	206,930	
	247,102	Brunel Global High Alpha Equities	268,741	
	169,360	Brunel Emerging Markets Equities	149,963	
	325,313	Brunel Global Sustainable Equities	352,133	
	164,670	Brunel Smaller Companies Equities	168,326	
<b>5.10%</b>	<b>170,469</b>	<b>Multi Asset Credit (MAC)</b>	<b>169,355</b>	<b>4.60%</b>
	170,469	CQS Credit Multi Asset Fund	-	
	-	CQS Global Funds Mutual Fund	34,167	
	-	Oaktree (LUX) III SA SICAV Mutual Fund	33,805	
	-	Neuberger Berman Investment Mutual Fund	101,382	
<b>1.60%</b>	<b>52,533</b>	<b>Property Funds</b>	<b>71,457</b>	<b>1.90%</b>
	4,155	Lend Lease Retail Partnership	58	
	6,282	Standard Life UK Shopping Centre Trust	5,395	
	16,451	CBRE UK Long Income Property Fund	17,362	
	22,359	Aberdeen Standard Long Lease Property Fund	25,480	
	3,286	M&G Secured Income Property Fund	23,162	
<b>4.90%</b>	<b>164,281</b>	<b>Diversified Returns Funds</b>	<b>243,437</b>	<b>6.60%</b>
	164,281	Brunel Diversifying Returns Fund	243,437	
<b>6.60%</b>	<b>220,057</b>	<b>Infrastructure</b>	<b>252,133</b>	<b>6.80%</b>
	96,252	Hermes GPE Infrastructure Funds	102,094	
	107,419	IFM Global Infrastructure Fund	132,380	
	16,386	Greencoats Renewable Income Infrastructure Fund	17,659	
<b>11.40%</b>	<b>381,311</b>	<b>Liability Driven Investment</b>	<b>458,960</b>	<b>12.50%</b>
	381,311	Insight LDI Fund	458,960	
<b>86.70%</b>	<b>2,894,459</b>	<b>Total - Pooled Investments</b>	<b>3,210,018</b>	<b>86.90%</b>
31 March 2021			31 March 2022	
Market Value		Description / Investment Manager	Market Value	

## DORSET COUNTY PENSION FUND ACCOUNTS

2.60%	87,696	Cash & Cash Equivalents	72,664	2.00%
0.00%	(670)	Derivatives	3,108	0.10%
0.00%	1,418	Investment Receivables	1,241	0.00%
<b>100.00%</b>	<b>3,339,773</b>	<b>Total Investment Assets</b>	<b>3,693,622</b>	<b>100.00%</b>

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

Investment assets under the management of Brunel Pension Partnership are valued at £2,099M at 31 March 2022 (£1,860M at 31 March 2021).

The pension fund's investment portfolio includes a number of directly owned properties that are leased commercially to various tenants. The future minimum lease payments receivable are as follows:

31 March 2021		31 March 2022	
	£'000		£'000
	11,446	Within one year	10,087
	40,726	Between one and five years	34,635
	38,479	Later than five years	29,564
	<b>90,651</b>	<b>Total future lease payments due under existing contracts</b>	<b>74,286</b>

### NOTE 15. 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.

2021-22	Value 1 April 2021 £'000	Purch's & Derivative payments £'000	Sales & Derivative receipts £'000	Change in market value £'000	Value 31 March 2022 £'000
Long Term Investments	768	-	-	70	838
Bonds	0	72,045	(73,319)	1,274	-
Equities - Quoted	52	-	-	7	59
Pooled Investment Vehicles	2,894,459	365,732	(295,258)	245,085	3,210,018
Private Equity	96,102	17,410	(35,020)	53,732	132,224
Property	260,716	5,940	(32,292)	39,944	274,308
<b>Total Securities</b>	<b>3,252,097</b>	<b>461,127</b>	<b>(435,889)</b>	<b>340,112</b>	<b>3,617,447</b>
Forward Foreign Exchange	(670)	1,144	(160)	2,794	3,108
Futures	0	-	-	-	-
<b>Total Securities and Derivatives</b>	<b>3,251,427</b>	<b>462,271</b>	<b>(436,049)</b>	<b>342,906</b>	<b>3,620,555</b>
<b>Other Investment Balances:</b>					
Cash & cash equivalents	87,696			(13,697)	72,664
Other investment assets	1,418			27	1,241
Other investment liabilities	0			-	-
<b>Total Net Investments</b>	<b>3,340,541</b>	<b>462,271</b>	<b>(436,049)</b>	<b>329,236</b>	<b>3,694,460</b>

## DORSET COUNTY PENSION FUND ACCOUNTS

2020-21	Value 1 April 2020 £'000	Purch's & Derivative payments £'000	Sales & Derivative receipts £'000	Change in market value £'000	Value 31 March 2021 £'000
Long Term Investments	427	-	-	341	768
Equities - Quoted	171,787	811,429	(1,040,909)	57,745	52
Pooled Investment Vehicles	2,115,368	843,583	(616,598)	552,106	2,894,459
Private Equity	98,085	15,574	(18,427)	870	96,102
Property	264,665	1,420	(6,427)	1,058	260,716
<b>Total Securities</b>	<b>2,650,332</b>	<b>1,672,006</b>	<b>(1,682,361)</b>	<b>612,120</b>	<b>3,252,097</b>
Forward Foreign Exchange	(9,757)	-	-	9,087	(670)
Futures	-	865	(2,121)	1,256	-
<b>Total Securities and Derivatives</b>	<b>2,640,575</b>	<b>1,672,871</b>	<b>(1,684,482)</b>	<b>622,463</b>	<b>3,251,427</b>
<b>Other Investment Balances:</b>					
Cash & cash equivalents	54,925			6,712	87,696
Other investment assets	3,353			-	1,418
Other investment liabilities	(2,316)			-	-
<b>Total Net Investments</b>	<b>2,696,537</b>	<b>1,672,871</b>	<b>(1,684,482)</b>	<b>629,175</b>	<b>3,340,541</b>

### NOTE 16. ANALYSIS OF DERIVATIVES

The Fund's holdings in derivatives are to hedge liabilities or hedge 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 its global equities investments. As at 31 March 2021, the Fund held the following open forward currency contracts.

Settlement	Currency Bought	Local Value 000s	Currency Sold	Local Value 000s	Asset Value £'000	Liability Value £'000
1-6 months	USD	38,092	GBP	28,941	-	(2)
	JPY	380,643	GBP	2,388	-	(0)
	EUR	4,021	GBP	3,409	-	(0)
	GBP	276,613	USD	361,383	2,065	-
	GBP	29,077	JPY	4,433,026	1,270	-
	GBP	35,229	EUR	41,813	-	(225)
<b>Open Forward Currency Contracts at 31 March 2022</b>					<b>3,335</b>	<b>(227)</b>
<b>Net Forward Currency Contracts at 31 March 2022</b>						<b>3,108</b>
Settlement	Currency Bought	Local Value 000s	Currency Sold	Local Value 000s	Asset Value £'000	Liability Value £'000
1-6 months	GBP	219,859	USD	305,036	-	(1,180)
	GBP	31,497	EUR	36,627	255	-
	GBP	28,032	JPY	4,232,785	255	-
<b>Open Forward Currency Contracts at 31 March 2021</b>					<b>510</b>	<b>(1,180)</b>
<b>Net Forward Currency Contracts at 31 March 2021</b>						<b>(670)</b>

### NOTE 17. FAIR VALUE OF INVESTMENT ASSETS

All investment assets have been valued using fair value techniques based on the characteristics of each asset class. 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 quoted 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 asset's valuation is not based on observable market data.

The following tables summarise the Fund's investment assets by class at 31 March 2022 and at 31 March 2021 measured at fair value according to the above fair value hierarchy.

31 March 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
UK Equities - Quoted	-	-	-	-

## DORSET COUNTY PENSION FUND ACCOUNTS

Overseas equities - Quoted	59	-	-	59
Pooled Investment Vehicles	-	2,886,429	323,589	3,210,018
Private Equity	-	-	132,224	132,224
Property	-	-	274,308	274,308
Cash & Cash Equivalents	72,664	-	-	72,664
Derivatives	-	3,108	-	3,108
Other investment assets	1,241	-	-	1,241
<b>Total</b>	<b>73,964</b>	<b>2,889,537</b>	<b>730,121</b>	<b>3,693,623</b>

<b>31 March 2021</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
UK Equities - Quoted	-	-	-	-
Overseas equities - Quoted	52	-	-	52
Pooled Investment Vehicles	-	2,621,869	272,590	2,894,459
Private Equity	-	-	96,102	96,102
Property	-	-	260,716	260,716
Cash & Cash Equivalents	83,061	4,635	-	87,696
Derivatives	-	(670)	-	(670)
Other investment assets	1,418	-	-	1,418
<b>Total</b>	<b>84,531</b>	<b>2,625,834</b>	<b>629,408</b>	<b>3,339,774</b>

During the year ended 31 March 2022 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
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**Level 1:**

Market quoted investments	Published bid market price ruling on the final day of the accounting period.	Not required.	Not required.
Exchange traded pooled investments	Published exchange prices at the reporting date.	Not required.	Not required.
Cash and cash equivalents	Carrying value is deemed to be fair value because of the short-term nature of these financial instruments.	Not required.	Not required.

**Level 2:**

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.
Forward foreign exchange derivatives.	Market forward exchange rates at year-end.	Exchange rate risk.	Not required.

## DORSET COUNTY PENSION FUND ACCOUNTS

### Level 3:

Freehold and leasehold properties	Valued at fair value at the reporting date by Peter Sudell FRICS of BNP Paribas Real Estate and Andrew Wells FRICS (the Derwent portfolio) of Allsop LLP, both acting as independent valuers and in accordance with current RICS Valuation Standards.	Existing lease terms and rentals, independent market research, nature of tenancies, covenant strength for existing tenants, assumed vacancy levels, estimated rental growth, discount rate.	Significant changes in rental growth, vacancy levels or the discount rate could affect valuations, as could more general changes to market prices.
Unquoted equity	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2018).	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 (where regular trading does not take place)	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.

### Sensitivity of assets valued at Level 3

The Fund has determined that the valuation methods described above are likely to be accurate within the following ranges, and has set out below the consequent potential impact on the closing values of investments held at 31 March 2022.

	Valuation range % (+/-)	Value at 31 March 2022 £'000	Value on Increase £'000	Value on Decrease £'000
Pooled Investment Vehicles	15.00%	323,589	372,128	275,051
Private Equity	15.00%	132,224	152,058	112,390
Property	15.00%	274,308	315,454	233,162
<b>Total</b>		<b>730,121</b>	<b>839,640</b>	<b>620,603</b>

The following tables provides an analysis of the Fund's assets and liabilities by fair value hierarchy.

31 March 2022	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit and loss</b>				
Equities	59	-	-	59
Pooled investments	-	2,886,429	252,132	3,138,561
Pooled property investments	-	-	71,457	71,457
Private equity	-	-	132,224	132,224
Derivative contracts	-	3,335	-	3,335
<b>Sub-total</b>	<b>59</b>	<b>2,889,764</b>	<b>455,813</b>	<b>3,345,636</b>
<b>Non financial assets at fair value through profit and loss</b>				
Property	-	-	274,308	274,308
<b>Financial liabilities at fair value through profit and loss</b>				
Derivative contracts	-	(227)	-	(227)
<b>Total</b>	<b>59</b>	<b>2,889,538</b>	<b>730,121</b>	<b>3,619,717</b>

## DORSET COUNTY PENSION FUND ACCOUNTS

31 March 2021	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit and loss</b>				
Equities	52	-	-	52
Pooled investments	-	2,621,869	220,057	2,841,926
Pooled property investments	-	-	52,533	52,533
Private equity	-	-	96,102	96,102
Derivative contracts	-	510	-	510
<b>Sub-total</b>	<b>52</b>	<b>2,622,379</b>	<b>368,692</b>	<b>2,991,123</b>
<b>Non financial assets at fair value through profit and loss</b>				
Property	-	-	260,716	260,716
<b>Financial liabilities at fair value through profit and loss</b>				
Derivative contracts	-	(1,180)	-	(1,180)
<b>Total</b>	<b>52</b>	<b>2,621,199</b>	<b>629,408</b>	<b>3,250,659</b>

The following table provides a reconciliation of fair value measurements within Level 3.

	Pooled Investment £'000	Private Equity £'000	Property £'000	Total £'000
Value at 31 March 2021	272,590	96,102	260,716	629,408
Purchases and derivative payments	24,706	17,410	5,940	48,056
Sales and derivative receipts	(10,077)	(35,020)	(32,292)	(77,389)
Unrealised gains and losses	36,630	37,744	39,944	114,318
Realised gains and losses	(260)	15,988	-	15,728
<b>Value at 31 March 2022</b>	<b>323,589</b>	<b>132,224</b>	<b>274,308</b>	<b>730,121</b>

### NOTE 18. CLASSIFICATION OF FINANCIAL INSTRUMENTS

As at 31 March 2022	Fair value through profit and loss £'000	Assets at amortised cost £'000	Liabilities at amortised cost £'000
<b>Financial assets</b>			
Equities	59	-	-
Pooled investments	3,138,561	-	-
Pooled property investments	71,457	-	-
Private equity	132,224	-	-
Derivative contracts	3,335	-	-
Cash and cash equivalents	-	72,664	-
Other investment balances	-	1,241	-
Debtors	-	13,992	-
<b>Total</b>	<b>3,345,636</b>	<b>87,897</b>	-
<b>Financial liabilities</b>			
Derivative contracts	-	-	227
Other investment balances	-	-	-
Sundry creditors	-	-	4,652
<b>Total</b>	-	-	<b>4,879</b>

## DORSET COUNTY PENSION FUND ACCOUNTS

As at 31 March 2021	Fair value through profit and loss £'000	Assets at amortised cost £'000	Liabilities at amortised cost £'000
<b>Financial assets</b>			
Equities	52	-	
Pooled investements	2,841,926	-	
Pooled property investments	52,533	-	
Private equity	96,102	-	
Derivative contracts	510	-	
Cash and cash equivalents	-	87,696	
Other investment balances	-	1,418	
Debtors	-	16,030	
<b>Total</b>	<b>2,991,123</b>	<b>105,144</b>	
<b>Financial liabilities</b>			
Derivative contracts			1,180
Other investment balances			-
Sundry creditors			5,581
<b>Total</b>			<b>6,761</b>

### NOTE 19. 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 from 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. 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 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 cash and other investment assets.

As at 31 March 2022	Value £'000	Change %	Increase £'000	Decrease £'000
UK equities - quoted	-	15.00%	-	-
Overseas equities - quoted	59	15.00%	9	(9)
Pooled Investment Vehicles	3,210,018	15.00%	481,503	(481,503)
Private Equity	132,224	15.00%	19,834	(19,834)
Property	274,308	15.00%	41,146	(41,146)
Cash & cash equivalents	72,664	0.00%	-	-
Derivatives	3,108	15.00%	466	(466)
Other investment assets	1,241	0.00%	-	-
<b>Total</b>	<b>3,693,622</b>	<b>14.70%</b>	<b>542,958</b>	<b>(542,958)</b>

## DORSET COUNTY PENSION FUND ACCOUNTS

As at 31 March 2021	Value £'000	Change %	Increase £'000	Decrease £'000
UK equities - Quoted	-	15.00%	-	-
Overseas equities - Quoted	52	15.00%	8	(8)
Pooled Investment Vehicles	2,894,459	15.00%	434,169	(434,169)
Private Equity	96,102	15.00%	14,415	(14,415)
Property	260,716	15.00%	39,107	(39,107)
Cash & cash equivalents	87,696	0.00%	-	-
Derivatives	(670)	15.00%	(100)	100
Other investment assets	1,418	0.00%	-	-
<b>Total</b>	<b>3,339,773</b>	<b>14.60%</b>	<b>487,599</b>	<b>(487,599)</b>

### (a) (ii) Interest Rate Risk

Interest rates can vary and can affect both income the Fund and the value of Fund assets, both of which affect the value of net assets available to pay benefits. The Fund's exposure to interest rate movements on those investments at 31 March 2022 and 2021 are provided below, based on underlying financial assets at fair value.

This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of an increase or decrease of 1% (100 basis points) in interest rates.

The analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalents but they will affect the interest received on those balances.

As at 31 March 2022	Market Value £'000	Change in net assets	
		+1% £'000	-1% £'000
Cash & cash equivalents	72,664	-	-
Assets held in pooled investment vehicles:			
Bonds	185,995	1,860	(1,860)
Multi Asset Credit (MAC)	169,355	1,694	(1,694)
Liability Driven Investment (LDI)	458,960	4,590	(4,590)
<b>Total</b>	<b>886,973</b>	<b>8,143</b>	<b>(8,143)</b>

As at 31 March 2021	Market Value £'000	Change in net assets	
		+1% £'000	-1% £'000
Cash & cash equivalents	87,696	-	-
Assets held in pooled investment vehicles:			
Bonds	192,357	1,924	(1,924)
Multi Asset Credit (MAC)	170,469	1,705	(1,705)
Liability Driven Investment (LDI)	381,311	3,813	(3,813)
<b>Total</b>	<b>831,833</b>	<b>7,441</b>	<b>(7,441)</b>

### (a) (iii) Currency Risk

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

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 Passive Developed Equities and Smart Beta funds are in hedged units.

Following analysis of historical data, the Fund considers the likely volatility associated with foreign exchange rate movements to be not more than +/- 15% 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 2022	Total Exposure £'000	Unhedged Exposure £'000	Potential Movement £'000
Overseas equities - quoted	59	30	4
Pooled Investment Vehicles	2,000,444	1,347,789	202,168
Private Equity	132,224	132,224	19,834
<b>Total</b>	<b>2,132,727</b>	<b>1,480,043</b>	<b>222,006</b>

As at 31 March 2021	Total Exposure £'000	Unhedged Exposure £'000	Potential Movement £'000
Overseas equities - quoted	52	26	4

## DORSET COUNTY PENSION FUND ACCOUNTS

Pooled Investment Vehicles	1,807,070	1,209,300	181,395
Private Equity	96,102	96,102	14,415
<b>Total</b>	<b>1,903,224</b>	<b>1,305,428</b>	<b>195,814</b>

### (b) Credit Risk

Credit risk represents the risk that the counterparty to a financial transaction will fail to discharge an obligation and cause the Fund to incur a financial loss. The selection of high quality counterparties, brokers and financial institutions minimises credit risk and the market values of investments generally reflect an assessment of credit risk.

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, the Fund invests in Money Market Funds, all of which have a AAA rating from the leading credit rating agencies.

The table below summarises the Fund's exposure to credit risk at 31 March 2022 and 31 March 2021.

<b>Investment</b>	<b>31 March 2022</b>	<b>31 March 2021</b>
	<b>£'000</b>	<b>£'000</b>
Bank Account Deposits	25,764	33,796
Money Market Funds	46,900	53,900
Assets held in pooled investment vehicles:		
Bonds	185,995	192,357
Multi Asset Credit (MAC)	169,355	170,469
Liability Driven Investment (LDI)	458,960	381,311
<b>Total</b>	<b>886,973</b>	<b>831,833</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 cash available to meet liabilities as they fall due.

The Fund has immediate access to its cash holdings and defines liquid assets as assets that can be converted to cash within three months notice, subject to normal market conditions. As at 31 March 2022, liquid assets were £2,964M representing 80% of total net assets (£2,711m at 31 March 2021 representing 81% of total net assets at that date).

## NOTE 20. 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 2022, setting employer contribution rates for the period 1 April 2023 to 31 March 2026.

The next valuation is taking place as at 31 March 2025 and will set employer contribution rates for the period 1 April 2026 to 31 March 2029.

The key elements of the funding policy are:

- to ensure that the long-term solvency of the Fund i.e. that sufficient funds are available to meet all pension liabilities as they fall due for payment;
- to ensure that employer contribution rates are as stable as possible;
- to minimise the long term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return;
- to reflect the different characteristics of employing bodies in determining contribution rates where it is reasonable to do so; and
- to use reasonable measures to reduce the risk to other employers and ultimately to the council tax payer from an employer defaulting on its pension obligations.

Contribution rates for the year ending 31 March 2022 were set at the valuation calculated as at 31 March 2019. The common contribution rates set at the 2019 valuation for the three year period ending 31 March 2023 are as follows.

	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
Primary rate (future service contributions)	17.70%	17.70%	17.70%
Secondary rate (deficit recovery contributions)	4.00%	4.10%	4.40%
<b>Total employer contributions</b>	<b>21.70%</b>	<b>21.80%</b>	<b>22.10%</b>

The common contribution rates set at the 2022 valuation for the three year period ending 31 March 2026 are as follows.

	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
Primary rate (future service contributions)	19.10%	19.10%	19.10%
Secondary rate (deficit recovery contributions)	3.10%	3.30%	3.40%
<b>Total employer contributions</b>	<b>22.20%</b>	<b>22.40%</b>	<b>22.50%</b>

## DORSET COUNTY PENSION FUND ACCOUNTS

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 2022 actuarial valuation, the Fund was assessed as 96% funded (92% at the 2019 valuation) with a deficit recovery period of no more than 16 years (19 years at the 2019 valuation). The key assumptions applied by the actuary for the 2022 and 2019 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 2022	Valuation 2019
Annual rate of return on investments (discount rate)	4.90%	5.00%
Annual rate of increases in pay (long term)	4.00%	3.60%
Annual rate of inflation (CPI)	3.00%	2.60%

### NOTE 21. 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 every year using the same base data as the funding valuation rolled forward to the current financial year, but taking account of changes in 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 2022 is set out in the appendix to these financial statements 2021/22.

### NOTE 22. ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC)

The Council administers an in-house AVC Scheme with two designated providers, Prudential and Utmost Life and Pensions Limited (formerly 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 Council, in its capacity as a scheme employer, deducted and paid to the AVC providers a total of £697k in 2021/22 (£549k in 2020/21).

### NOTE 23. 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 2022 contributions of £3.3m were accrued as at 31 March 2022. Management and administration costs of £2.1m were incurred by the Council and recharged to the Fund in 2021/22. 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 2022, one member of the Committee was a contributing member of the Fund. The key management personnel of the Fund are the members of the Committee, the Council's Chief Financial Officer (who is the Fund Administrator) and the Deputy Chief Financial Officer. The £2.1m recharge from the Council includes a charge of £19k for the Deputy Chief Financial Officer's time spent working for the Fund.

### NOTE 24. 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 2022 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.

## DORSET COUNTY PENSION FUND ACCOUNTS

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 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 considerable uncertainty about the eventual remedy that may be put in place for the LGPS.

The Government Actuary's Department's (GAD) 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 have 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.

### **Outstanding capital commitments**

Outstanding capital commitments (investments) at 31 March 2022 were approximately £54m. These commitments relate to outstanding call payments due on unquoted limited partnership funds held in the private equity and infrastructure parts of the pension fund. The amounts 'called' by these funds are irregular in both size and timing over a number of years from the date of each original commitment.