

Minutes

Meeting: Local Pension Board for the Dorset County Pension Fund
Time: 2.00 pm
Date: **Wednesday 23 March 2022**
Venue: Microsoft Teams

Present:

Paul Kent	Chairman – Member Representative
Cllr David Shortell	Employer Representative
James Stevens	Member Representative
Julie Strange	Employer Representative
John Jones	Member Representative

Officer Attendance:

Karen Gibson	Service Manager for Pensions
David Wilkes	Service Manager for Treasury and Investments
Jim McManus	Corporate Director Finance & Commercial

Managers, Advisors and Others Attendance:

Cllr Andy Canning	Chairman of the Pension Fund Committee
Cllr John Beesley	Pension Fund Committee
Peter Scales	Independent Adviser - MJ Hudson

1. Apologies for Absence and Introductions

1.1. Advance apologies received from:

- Mary O’Sullivan Employer Representative
- Adam Richens Vice Chairman – Employer Representative

2. Declarations of interest

2.1. None

3. Local Pension Board: Membership Changes

3.1. Member Representative Vacancy

- 3.1.1. There has been a vacancy for a union nominated member Representative for the Board. Expressions of interest were sought from both Unison and GMB.
- 3.1.2. One application was received. This came from Jon Bird, who is a member of GMB. Jon has experience in the field of compliance and governance and

is willing to apply this to pensions.

3.1.3. **Resolution.** The Board approved Jon Bird's application

3.2. **Chair.**

- 3.2.1. Paul Kent, the current Chair, confirmed that he is to step down from his role. Paul has been on the board for eight years and for a number of those as Chair.
- 3.2.2. The Service Manager for Pensions said that being a former county treasurer, his knowledge and expertise has been a huge benefit to the board. She wanted to just take this opportunity to thank Paul personally on behalf of the Fund for his contribution and the time that he has given to it. It has been very much appreciated.
- 3.2.3. Paul had notified the Service Manager for Pensions of his intentions a while back, and since then she has been considering the future of the Board. She would like the position of Chair to be remunerated, which would also mean that the chairman would then be independent. The Chair would not be a member of the board.
- 3.2.4. The Service Manager for Pensions said that primarily there are benefits in that we can look to recruit somebody with the knowledge and skills that are required for this role, and it brings an element of independence to the role of chair, which ultimately makes for better governance and transparency.
- 3.2.5. Having looked at other Funds and spoken to colleagues, it appears that many Funds now have paid Chairs. They didn't necessarily start off doing this when the Public Sector Pensions Act brought in Pension Boards but funds are moving towards it, which is probably a reflection on the level of responsibility the role takes. This was suggested in the administration report to the Pension Fund Committee and the Service Manager for Pensions welcomed the thoughts of the Board.
- 3.2.6. A Membership Representative said they had been involved with another board that had recruited an independent Chair and it had been very successful. The Chair was experienced, knowledgeable and was able to manage and arrange the meetings, where previously the board had found it difficult to find the time.
- 3.2.7. A question was raised regarding whether the Chair would have the casting vote if the Board was tied on a decision. Peter Scales, MJ Hudson, said that normally an Independent Chair would not have a vote, being neither a Member or an Employer Representative.
- 3.2.8. The Chairman asked whether it would be worth trying to gauge interest in a voluntary position before offering it as a paid role. The Chair of the Pension Fund Committee expressed a similar view.
- 3.2.9. A Membership Representative said that if a request for expressions of interest was advertised, it should be a fairly short timeline. From his experience working with other boards, it had been very difficult to attract a volunteer Chair. The Service Manager for Pensions said that a paid Chair is now common among Pension Boards but agreed that a volunteer would be sought initially.

3.2.10. **Action:** Expressions of Interest will initially be sought for a voluntary Chair of the Pension Board

3.2.11. It was noted that if an independent chair was chosen, then the Board's Terms of Reference would need to be amended accordingly.

4. Minutes and matters arising from previous meeting

The minutes from the December 2021 meeting were read and agreed.

4.1. Annual Allowance Statements (point 6.2.1). The statements were sent to members in November 2021. This wasn't a material breach as the Pension Regulator accepts delays can happen due to system changes, but it was felt better to be on the safe side.

5. Papers from the Pension Fund Committee

Items on the agenda of the Pension Fund Committee meeting held on 10 March 2022 were reviewed: [Pension Fund Committee Meeting 10 March 2022](#)

It was noted that the Pension Fund Committee meetings can now be viewed live, or a recording watched later, on [YouTube](#).

5.1. Public Participation

5.1.1. There questions from members of the public regarding investments in fossil fuels and carbon emissions. These can be viewed here: [Questions and Answers](#)

5.2. Urgent Item - Ukraine Situation

5.2.1. The Chair of the Committee made a statement at the meeting on behalf of the committee condemning the actions of Russia in terms of the illegal and unjustified invasion of Ukraine. The pension fund had a relatively small direct exposure to Russia through investments in the Emerging Markets Fund managed by Brunel. This equated before the invasion to about 3% of the value of that investment. Brunel instructed their underlying managers to divest from their Russian positions once the invasion had started and the remaining underlying holdings in Russia now have a zero value.

5.3. Independent Adviser's Report

The annual review of the Pension Fund's governance arrangements was presented to the Committee by Peter Scales of MJ Hudson. The full report can be viewed here: [Independent Adviser's Report](#)

5.3.1. Overall good standard of governance had been maintained despite the pandemic and the introduction of new pensions administration systems which were always extremely challenging to implement.

5.3.2. It was suggested that the Pension Board minutes should be reported to the Committee and an annual statement from the Local Pension Board should be

included in the pension fund's annual report.

- 5.3.3. It was also suggested that a statement from the Chair of the Pension Board should also be included in a newsletter to keep scheme members aware of what's going on.
- 5.3.4. Various consultations and new regulations are set to take place this year which may put pressure not only on the Committee but on the Board in terms of seeking to ensure compliance.
- 5.3.5. The consultation on the good governance review is likely to take place in the summer. An interim assessment of Dorset's position against some of the suggested key performance indicators is going to be carried out, which may be difficult because we don't know exactly what they are going to be when they are introduced.
- 5.3.6. The Pensions Regulators Combined Code is scheduled to come out in the summer, and into force in October. Few people know exactly how this is going to operate for the LGPS, as it will apply to all public service schemes, so we can only wait to see how it comes through in regulations.
- 5.3.7. SAB were working with government to get greater clarity on the potential implications of the government's 'levelling up' White Paper for LGPS funds. This was likely to be another factor to consider as part of the review of investment strategy.

References in the White Paper to "local" investment were understood to mean countrywide, rather than in the local area. Concerns were also raised that the proposals could undermine the principle that investment decisions were based primarily on the requirements of the Pension Fund.

- 5.3.8. The Chair said found it quite a positive report in the circumstances, given all that is going on at the moment.

5.4. Pension Fund Administrators Report

The quarterly report of the Fund Administrator including an update on the funding position and the value and performance of investments as at 31 December 2021. The full report can be viewed here: [Fund Administrators Report](#)

- 5.4.1. The value of the pension fund's assets ended the quarter at £3.8 billion compared to £3.3 billion at the start of the financial year, with two thirds of those assets now under the management of Brunel Pension Partnership.
- 5.4.2. In September 2021 the Committee approved indicative commitments of £60m each to Brunel's cycle 3 private equity and infrastructure portfolios. It was agreed to increase the commitment to the infrastructure portfolio to £70m and to make an additional commitment of £20m to Brunel's secured income portfolio. These commitments would take time to be drawn down and would be funded from cash balances or redemptions from asset classes where the pension fund was above target, such as corporate bonds.
- 5.4.3. The funding position estimated by the actuary was that the value of the pension fund's assets covered 89% of the present value of liabilities. The investment return for the quarter was 4.2% compared to the combined benchmark return of 4.1%. Over the longer term, annualised returns for three years were 10.3% compared to the benchmark return of 9.5%, and the

benchmark and annualised returns for five years were 7.4%, matching the benchmark return.

5.5. External Auditor's Report 2019/20

The Committee considered the report of the external auditor for 2019/20: [External Auditors Report 2019/20](#).

5.5.1. The final report for the Pension Fund 2019/20 audit has been received. No substantive matters had been identified and an unqualified opinion would be issued. The auditor's report for 2020/21 for the Pension Fund accounts and the main local authority accounts had still not been received.

5.5.2. Deloitte had a lack of capacity, particularly in local government audit, and were themselves also subject to a scheduled review by the Financial Reporting Council (FRC) during which they were not expected to sign off any audits.

5.5.3. The delays had caused frustration for BCP and other scheme employers whose own audits had been held up due to their reliance on Deloitte to complete their work in relation to the pension fund accounts.

5.5.4. The Chair said from a Board perspective this creates an uncertainty in our governance in that we can't rely upon the views of the auditor on any issues they may have discovered. He asked whether there was any role for internal audit to carry out any work on behalf of the external auditors.

The Corporate Director Finance & Commercial said that he would ask about this, but it may be that they don't have the skills or experience in this area.

5.6. Treasury Managers Report

5.6.1. The Committee considered and approved a report by officers setting out the Treasury Management Strategy (TMS) for 2022-23.

6. LGPS Administration report

The Service Manager for Pensions gave an update on the [Pensions Administration Report](#) provided to the Pension Fund Committee on 10 March 2022.

6.1. Key Performance Indicators (KPIs)

6.1.1. There continues to be a period of adjustment to the new system and catch up regarding KPIs. There is also impact being felt from vacancies in key areas. It is anticipated to take some time to get back to where we were before the system change. In the mean time priority is being given to payment of benefits, death grants and transfers.

6.1.2. The Chair asked when would it be likely that the team would be able to address the other areas that are not performing so well. The Service Manager for Pensions said it was difficult to answer that accurately as they need to recruit 7 staff in those areas, and getting staff fully trained takes quite a long while.

6.1.3. The Corporate Director Finance & Commercial said that there is an HR led process in progress regarding systems and staffing which involves a questionnaire going out via the LGA to other funds. It appears that COVID

has made working for anyone anywhere from anywhere more straightforward than it was - for example DCPF have lost several staff to London Boroughs – and the aim is to find out information and benchmarks which will hopefully result in being able to make better offers when recruiting and also to retain staff.

6.2. Systems Implementation

- 6.2.1. We continue to make good progress in terms of the new system and its continued development. A number of issues, some potentially serious, have been raised directly with Civica.
- 6.2.2. This has resulted in some positive moves to ensure issues are addressed as soon as possible, one being that Civica came on a two-day site visit. This had huge benefits to the team, with a lot being achieved in terms of mutual understanding and training. Another visit is also planned, as are further training sessions in key areas
- 6.2.3. The on-line employer has been working well. Further developments to assist employers in distributing work their end and in viewing uploaded forms have been made to the employer portal, and these have been welcomed by employers.
- 6.2.4. The Chair asked whether the member portal has a large take-up. The Service Manager for Pensions said that the new portal currently isn't as advanced as the old one, but some further developments are due which will make resolve this. The new portal does have some additional functions, such as document uploading, which the old one didn't have, which has proved useful during the pandemic. A lot of people use it, and when the benefit statements go out, it is likely that more people will be prompted to register.
- 6.2.5. As it is the first year on the new system, some concern remains about the end of year processes and our ability to ensure correct valuation data. However, the reports have been tested and they are looking good and our data quality has been very good. We also have quite good engagement with our employers and training has been provided, so things look positive.

6.3. Pensions Dashboard Programme

- 6.3.1. In the 2016 budget, the Government made a commitment that Pensions Dashboards would be created by the pensions industry, enabling pension savers to view details of all their pensions together. The Department for Work and Pensions published their [consultation on their draft Pensions Dashboard Regulations](#). The consultation closed on 13 March 2022.
- 6.3.2. The Service Manager for Pensions said that this will be available for active and deferred members, but unfortunately not for frozen or deferred refunds. The LGPS is the only public sector scheme with this issue and tracing these members is costly for funds. This issue was included in DCPF's response to the consultation.
- 6.3.3. An It is expected that the LGPS will go live in July 2023 during the first wave of onboarding which starts in April 2023. We are currently working with our software supplier to discuss their proposed solutions that will enable the fund

to handle dashboard requirements.

6.4. Employer Movements

- 6.4.1. The following employers recently became admitted bodies within Dorset County Pension Fund.

New admitted bodies		
Name	Date admitted	Service
HPS Services FM Ltd	01/09/2021	Cleaning (Bovington Academy)
Tricuro Limited	01/01/2022	Adult Social Care In-House Reablement Services (START)
KGB Cleaning South West Ltd	21/02/2022	Cleaning (Talbot Primary School)
Sansum Solutions Group Ltd	01/01/2022	Cleaning (St Michael's School)
Family Action	01/02/2022	Dorset Special Educational Needs and Disabilities, Information, Advice and Support Service (SENDIASS)

- 6.4.2. The following employers recently ceased to be employers within Dorset County Pension Fund.

Cessations	
Name	Date Ceased
Ansbury	30/11/2021
Bournemouth Transport	28/09/2021

- 6.4.3. A Membership Representative asked if, for the purpose of risk to the Fund, if it would be useful to show the numbers of members involved in these cases. The Service Manager for Pensions said that regarding admissions, member data is provided to the actuary so they can calculate the contribution rate and potential liabilities. As most admission agreements are now 'closed' (not open to new members), it is easier to make these calculations. The risk to the fund would also be covered by a guarantor or bond.
- 6.4.4. In respect to a cessation, a valuation of the liabilities is calculated to work out whether there is a cessation debt or credit. If an employer has a sizeable debt, it may be that they request to pay this by way of a deferred debt arrangement or debt spreading arrangement.

6.5. New Restrictions on Transfers

- 6.5.1. In November the Government published its [Response to Pension Scams: empowering trustees and protecting members](#) consultation. On the same date [The Occupational and Personal Pension Schemes \(Conditions for Transfers\) Regulations 2021](#) (SI 2021/1237) were laid and the Pensions regulator published [TPR guidance on dealing with transfer requests](#).

- 6.5.2. The regulations took effect from 30 November 2021 and introduced further legal restrictions on a member's statutory right to transfer. The regulations give administering authorities tools to act if they have suspicions about the circumstances that have led the member to request a transfer.

Certain transfers, for example those to public service schemes, can continue without further checks. For transfers to other schemes, a process of new checks is now in place, with the ability to pause a transfer where concerns have been flagged.

- 6.5.3. DCPF staff have taken part in training provided by TPR.

6.6. Finance (no.2) Bill 2021/22

- 6.6.1. In On 2 November 2021 HM Treasury formally introduced the [Finance \(No.2\) Bill 2021/22](#) to Parliament. The Bill includes a number of provisions that may affect the administration of the LGPS and is currently in draft form
- 6.6.2. There will be an increase in the normal minimum pension age to age 57 from 6 April 2028. This means that currently members can retire at age 55, but that will raise to 57 in the future. There will be protections in place for members, but the details of that have not been confirmed.
- 6.6.3. It also includes a clause to provide HMT with the power to make regulations to address tax impacts, such as annual allowance or lifetime allowance, that arise retrospectively because of implementing the McCloud remedy.

6.7. Analysis of LGPS mortality during the COVID-19 pandemic

- 6.7.1. Barnett Waddingham have provided the fund with a report giving a detailed analysis of mortality during the COVID-19 pandemic.
- 6.7.2. The report gives a useful insight into such an unprecedented event, and looks at how different genders, age groups and pensioner number types have been affected in the Dorset Fund together with any potential impact on pension costs. The report covers pensioner data only and looks at the period 1 February 2020 to 31 March 2021 and uses data from 1 April 2019 for comparison.
- 6.7.3. Key findings of the report are:
- Male members exhibited a significantly higher mortality rate than female pensioners
 - There is no clear trend in mortality experience by pension amount
 - There was a higher than expected mortality across all pensioner age bands, with excess deaths in the 80-85 age band
 - There will be some reduction in pension liabilities for the period 1 February 2020 to 31 March 2021

6.8. Review of the Dorset Administration Strategy

- 6.8.1. DCPF have commissioned Hymans Robertson to conduct a review of the Fund's governance. One part of this was a review of the current Administration Strategy. Results can be found here: [Review – Administration Strategy](#)

6.8.2. The report was very positive about the Administration Strategy content and was able to recommend changes to take account of some new challenges and requirements.

6.8.3. Hymans Robertson have also provided us with a draft conflicts of interest policy, which we will be reviewed and brought to the next committee and board meetings.

6.9. Confirmation of indexation and revaluation in public service pension schemes

6.9.1. On 20 January 2022, the Government made a [written statement on indexation and revaluation in public service pension schemes](#) and published the 2022 pensions increase (PI) multiplier tables.

6.9.2. Public service pensions will increase by 3.1% on 11 April 2022

6.9.3. CARE accounts in the LGPS will also increase by 3.1% on 1 April 2022

7. Risk Register

The Dorset County Pension Fund Risk Register was reviewed. Board members were provided with a copy ahead of the meeting.

7.1. There was one worsening risk which related to a workforce issue. This matter has been discussed in 6.1.3 of these minutes.

7.2. A Member Representative asked whether cyber security training is carried out on an annual basis. The Service Manager for Pensions confirmed that it is done at least annually, and that Dorset Council has recently moved to a new provider of security training modules.

8. Any other Business

8.1. As it was his last board meeting, the Chair said a few words on his 8 years on the board and the various events and challenges that have taken place during this time.

8.2. The Board Members all thanked the Chair for his time, experience and commitment given during his time on the Board.

9. Meeting closed at 15.45

10. Date of next meeting – 22 June 2022

Details of the Local Pension Board and past meetings can be found [here](#).

