

# Minutes

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Meeting: Local Pension Board for the Dorset County Pension Fund

Time: 2.00 pm

Date: **Wednesday 21 June 2023**

Venue: Microsoft Teams

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**Present:**

Richard Bates	Chair
Adam Richens	Employer Representative
James Stevens	Member Representative
Julie Strange	Employer Representative
Jon Bird	Member Representative
Mary O'Sullivan	Employer Representative
Cllr David Shortell	Employer Representative

**Officer Attendance:**

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

**Managers, Advisors and Others Attendance:**

None

**1. Apologies for Absence and Introductions**

1.1. Advance apologies received from:

- John Jones Member Representative
- Andy Canning Chair of the Pension Fund Committee
- Vince Elliott Employer Relationship & Communications Manager

1.2. This was Richard Bates' first meeting as the newly appointed Chair of the Local Pension Board. Richard introduced himself to the board.

**2. Declarations of interest**

2.1. None

**3. Minutes and matters arising from previous meeting**

3.1. The minutes from the March 2023 meeting were read and agreed.

- 3.2. Draft Funding Strategy Statement (point 4.4.3). The Funding Strategy Statement has been approved by the Pension Fund Committee for publication.
- 3.3. Treasury Management Strategy (point 4.5.1). It was clarified that the Treasury Management Strategy had been approved by the Pension Fund Committee.

#### **4. Papers from the Pension Fund Committee**

Items on the agenda of the Pension Fund Committee meeting held on 13 June 2023 were reviewed: [Pension Fund Committee Meeting 13 June 2023](#)

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

##### **4.1. Pension Fund Committee Changes**

- 4.1.1. There was a change in membership of the committee following the BCP Council elections in May. Cllr Felicity Rice has joined the Committee as one of the 3 nominations from BCP Council, replacing Cllr Toby Johnson.
- 4.1.2. An Employer Representative said that Felicity Rice has a background of challenging the Pension Fund Committee with regards to its green credentials. As she is now a member of the committee that sustainability element will be enhanced by her participation.

##### **4.2. Brunel Pension Partnership Quarterly Report**

The quarterly performance [report](#) of Brunel Pension Partnership, the pension fund's Local Government Pension Scheme (LGPS) investment pooling manager.

- 4.2.1. Many of Brunel's portfolios had outperformed their benchmark over the quarter, but not sufficiently to make up for the previous three quarters. Brunel have made assurances that this is continuing into the current quarter.
- 4.2.2. One of the things that hampered the performance of Brunel over the course of 2022 was the fact that it is underweight in the type of sectors that did well in that year. Primarily those sectors involved in energy supply, particularly fossil fuels.
- 4.2.3. Faith Ward, Brunel's Responsible Investment Officer, presented Brunel's revised Climate Change Policy which has been through a long period of review by the ten client funds. It was highlighted that 2022 saw governments look to improve energy security, but in the longer-term Brunel believed this would lead to an impetus to accelerate the transition away from fossil fuels to renewables.

##### **4.3. Investment Strategy Review**

Following the conclusion of the latest triennial actuarial valuation of the Pension Fund's assets and liabilities as at 31 March 2022, investment consultants, Mercer, were engaged to review the pension fund's investment strategy

- 4.3.1. Mercer concluded that the current investment strategy was relatively efficient with no compelling reason to make changes. As a result, the strategy is broadly the same as the asset allocation as at 31 March.

- 4.3.2. The committee will look at some of the underlying detail at future meetings. One of those items will be the Pension Fund Committee's decarbonisation policy.

#### **4.4. Brunel Governance / Scheme Advisory Board**

Cllr John Beesley, the pension fund's representative on the Brunel Oversight Board, and a member of the LGPS Scheme Advisory Board updated the Committee on governance matters relating to investment pooling.

- 4.4.1. To improve recruitment and retention of key staff, Brunel were looking to make a new remuneration policy. The required approval from Brunel's shareholders was now close to agreement and Aidan Dunn, the Fund's section 151 officer, was thanked by Cllr Beesley for his role in reaching this position.
- 4.4.2. The Reporting from Brunel had improved greatly but Cllr Beesley reminded Committee members to continue to let him know if there were any further requirements.
- 4.4.3. There had been signs of improvement in Brunel's investment performance, with positive returns in the quarter to the end of March, but there was still significant catching up to do.
- 4.4.4. The anticipated consultation on revised investment pooling guidance from government appeared to have stalled. Clarity of the future direction of pooling was needed therefore Brunel were engaging with both government and the shadow chancellor on this matter.

#### **4.5. Independent Investment Adviser's Report**

The quarterly [report](#) from Steve Tyson of MJ Hudson, the pension fund's Independent Investment Adviser.

- 4.5.1. The major economies had to date managed to avoid serious recession but were still not out of difficulty. Equity markets had anticipated the end of that period, but nervousness has heightened following recent news of inflation.
- 4.5.2. Headline inflation could plateau at a higher rate than previously thought. Subsequently interest rates and gilt yields continued to rise, supporting the Fund's decision to terminate the Liability Driven Investment (LDI) mandate but with adverse impacts for UK property valuations.
- 4.5.3. In the longer term the two biggest themes affecting investments were believed to be climate change and Artificial Intelligence (AI).
- 4.5.4. Brunel's performance in public markets had greatly improved in the quarter but still lagged over one year. One of the main reasons for that is the responsible investment policy and climate change policy that Brunel have adopted as agreed by the ten client funds which tends to do less well in higher interest rates environments.
- 4.5.5. Referring to the government's consultation on revised investment pooling guidance, the Service Manager for Treasury and Investments said that in the last budget there was a statement that said pools should have a minimum size of £50bn of assets under management. Currently the combined assets under management of Brunel were about £35bn, but conversations that Brunel were having with government and the shadow cabinet seem to indicate that this is a target rather than a mandatory requirement.

#### **4.6. Fund Administrator's Report**

The quarterly [report](#) on the pension fund's funding position, investment performance and asset allocation.

- 4.6.1. The value of the pension fund's assets on 31 March 2023 was £3.5 billion compared to £3.7 billion at the start of the financial year, with just under three quarters of assets now under the management of Brunel.
- 4.6.2. The Committee approved the updated Funding Strategy Statement for publication on the fund website.

### **5. LGPS Administration report**

The Service Manager for Pensions gave an update on the [Pensions Administration Report](#) provided to the Pension Fund Committee on 13 June 2023.

#### **5.1. Key Performance Indicators (KPIs)**

- 5.1.1. The KPI report for the period can be viewed here: [KPI report](#).
- 5.1.2. Performance against KPIs is showing steady progress and recruitment of new staff has had a positive impact on performance. For example, new staff started in February and since then they have cleared over 4000 deferred benefit cases. Deferred benefits are where someone has left the scheme are not entitled to their pension straight away.
- 5.1.3. An Employer Representative suggested that it would be useful to have comparisons with the previous period that was measured, as currently there isn't a sense as to whether the results are getting better or worse. Another Employer Representative said that it would be good to give context on those with a lower completion rate, so it could be seen when those missing the KPI are being completed. The Service Manager for Pensions said that the report gives the average completion time for cases but would look into both requests for future reports.

#### **5.2. LGPS change to Revaluation Date**

- 5.2.1. On 9 March 2023, the Department for levelling Up, Housing and Communities (DLUHC) laid the LGPS (Amendment) Regulations 2023. These regulations move the annual revaluation date from 1 April to 6 April and were effective from 31 March 2023.
- 5.2.2. This has created additional work for the team and changes to our software will follow in due course, with the most significant impact being to the calculation of the annual allowance.

#### **5.3. SCAPE Rate change - impacts**

- 5.3.1. On 30 March 2023, the SCAPE (superannuation contributions adjusted for past experience) rate changed. This predominantly impacts employer contributions in the non-funded public sector schemes, with the LGPS being the funded public sector scheme.

5.3.2. The LGPS is impacted because the change in the SCAPE rate required changes to GAD factors. As there has been a delay in the provision by GAD of these factors, certain transfer calculations had to be suspended, causing a need to stockpile some work areas until the new factors arrive. This also affected areas such as divorce and refunds. This will create issues for the team in managing work and members, and then dealing with the catch-up position later in the year.

5.3.3. The factors are now starting to come through and are being installed on our systems.

#### **5.4. Pensions Dashboard Programme**

5.4.1. The DWP has announced delays to dashboard connection deadlines due to the challenges in developing the digital architecture.

5.4.2. There is a new approach to delivery and draft pension regulations are going before the house, but we don't know when. This is going to remove the phase staging timeline and replace it with a single connection deadline.

5.4.3. The DWP will be providing guidance but there will be additional complexities, such as whether funds need to provide AVC data themselves, or whether that comes from the AVC provider.

#### **5.5. Overseas Existence Checks**

5.5.1. The project carried out with Western Union to carry out existence checks on all overseas pensioners has now been successfully completed.

5.5.2. In total 8 members were reported as deceased, of which 3 we were able to recover overpayments, and a further 18 pensions remain suspended. These pensions have been suspended due to non-communication by the member or family. They will remain suspended for a period of 12 months, after which the Fund will assume the members are deceased.

5.5.3. An Employer Representative asked if there's an implication in some of this around fraud and what level of activity or follow up is there with regards to potentially fraudulent activity? The Service Manager for Pensions said there's not really anything we can do with people living overseas, unlike in the UK where if there was evidence of fraud, we could get the police involved. This is why it is important to do these checks on a regular basis.

5.5.4. The project will run again in 3 years time.

#### **5.6. Spring Budget 2023**

5.6.1. On 15 March 2023, the Chancellor of the Exchequer delivered his Spring budget. Changes relevant to LGPS members are:

- Increase in the Annual Allowance from £40,000 to £60,000
- Taking away of lifetime allowance charge
- Lifetime allowance to be abolished in 24/25 tax year.

## **5.7. Death Grant Policy Changes**

- 5.7.1. The Fund is changing its approach to the payment of discretionary death grants following both national issues raised by other LGPS funds, and the increase in risk and complexity we have experienced over the past few years.
- 5.7.2. Legal advice is regularly sought to assist the Fund with its responsibilities in regard to this discretion, and tighter procedures are now in place. The Fund will work with its lawyers to draw up a full new policy to assist the Fund and the administration team in managing this entire area. It is hoped to have this in place by the end of the year.
- 5.7.3. An Employer Representative asked about the decision process. The Service Manager for Pensions said If the circumstances are straight forward, for example, if there's a nomination and it is to the spouse, it is processed in a straightforward way. Cases that are not so clear cut will need to be approved either by the Service Manager for Pensions or the Fund Administrator. For more difficult cases, the decision process may require the formation of a small committee, which could members of the board, to review the case.
- 5.7.4. A Member Representative asked if past cases are looked at to ensure the fund is not favouring or disfavouring any group or community. The Service Manager for Pensions said that we don't, as normally it is regarding family members and next of kin, so you haven't necessarily got the discretion to go outside of the family.
- 5.7.5. Failure to properly exercise this discretion, has been added to the Fund's Risk Register to ensure this risk is known and monitored going forward.

## **5.8. End of Year Processes 2023**

- 5.8.1. The End of year processes for 2023 are now largely complete and on track to meet our statutory deadlines. Deferred annual benefit statements are now being produced and we will then be running our active statements.
- 5.8.2. The new system and improved employer monthly data returns has made a significant impact, and we are confident that our data is of a very high standard.
- 5.8.3. There were 159 employer returns posted in total which involved over 24,000 active members. The total CARE pay posted was over £502m and total contributions posted were over £128,000.
- 5.8.4. A Member Representative said that they remember having the data checked in 2018 by an outside party and asked if we were intending for this to happen again. The Service Manager for Pensions said that with our new pensions system, we are running the reports ourselves, but they're quite transparent, and as part of this we still have an annual data improvement plan. In an ideal world, the checks would be run by an external person, but you have to give them all of our data, and that facility isn't there with our current software suppliers.

## **6. Risk Register**

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

- 6.1. Payment of death grants has been added as a new item to the risk register. There is a risk that the Fund does not exercise its discretion over payment of a death grant properly. This could result in a claim from other potential beneficiaries of the deceased member.
- 6.2. The Chair noted that the risk of Cyber Security Breaches was rated at 9 (medium) and asked if there had been evidence of such breaches with other funds. The Service Manager for Pensions said that she believed Capita had recently had a breach connected to their pensions but is not aware of any breaches to LGPS funds.
- 6.3. Cyber security has also been raised at the Committee meeting. Because Dorset Council provide the Fund's IT services, their IT team will be coming to a future Committee meeting to explain what they have in place in order to protect the fund in terms of cyber security and other data risks. Board members are welcome to attend if they wish.

## **7. Next Board Meeting**

- 7.1. The future of the board meetings was discussed, with the suggestion of one meeting a year being held in person.
- 7.2. It is appreciated that travelling from other parts of Dorset is time consuming and from a work perspective, online meetings are very convenient.
- 7.3. It was agreed that meeting face to face once a year would be possible, especially if the meeting could incorporate a training session.
- 7.4. **Action:** The Chair and the Service Manager for Pensions will look at options and inform the Board.

## **8. Hymans Robertson LGPS Online Learning Academy**

- 8.1. Hymans Robertson have developed an online learning package designed to support the training needs of Pension Committees, Pension Boards and Fund Officers. The training takes the form of short modules on a variety of subjects and includes short video presentations with supplemental learning materials and quizzes.
- 8.2. Although there is a cost to this training, the Chair and the Service Manager for Pensions have both met with Hymans Robertson and it looked like something which was easily accessible and could be beneficial to the Fund. Several funds are already using this, and it has received some good feedback.
- 8.3. The Board agreed that this would be useful, and the Service Manager for Pensions will investigate this further.

## **9. McCloud Judgement**

The Service Manager for Pensions gave a presentation on the McCloud Judgement and how it affects Dorset County Pension Fund.

9.1. The presentation included:

- Result of the judgement
- LGPS remedy
- Members in scope and impact to members
- Impact to administration
- DCPF McCloud project

9.2. An Employer Representative asked what would happen if a member's annual or lifetime allowances are affected. The Service Manager for Pensions said that there's been discussions with HMRC and McCloud tax legislation has been issued. Basically, going forward the McCloud underpin will have to be included when measuring someone's pension growth, but nobody will have a tax charge because of a change to the retrospective position.

## **10. Any other Business**

10.1. None

## **11. Meeting closed at 15:50**

## **12. Date of next meeting – 27 September 2023**

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